

Report to Council



Date: April 19, 2012
File: 1140-50-8083
To: City Manager
From: Sam Samaddar, Airport Director
Subject: Northern Air Support Ltd. Consent to Assignment of Sublease of lands at Kelowna International Airport to 8072248 Canada Inc.
Report Prepared by: Toni McQueenie, Legal & Administrative Services Coordinator

Recommendation:

THAT Council consents to the assignment of the Sublease dated December 15, 1994, and all amendments and assignments thereto, between the City of Kelowna and Northern Air Support Ltd. as set out in Appendix "A" attached to the Report of the Airport Director, dated April 19, 2012.

AND THAT the Mayor and City Clerk be authorized to execute the Landlord's Consent to Assignment of Sublease document on behalf of the City.

Purpose:

To obtain Council's consent to the assignment of the Sublease between Northern Air Support Ltd. and the City with respect to lands at Kelowna International Airport.

Background:

In December 1994 Council approved a Sublease of certain airport lands with Northern Air Support Ltd. The Sublease has subsequently been amended and extended through a series of Supplemental Agreements and Letter Agreements.

Northern Air Support Ltd. is transferring its assets and operation to 8072248 Canada Inc., a newly incorporated federal company, pursuant to an internal reorganization. Upon completion of the reorganization, the City shall have the right to enforce the Sublease directly against 8072248 Canada Inc.

The expiry date of the Sublease is December 30, 2029.

Considerations not applicable to this report:

Financial/Budgetary Considerations:

Legal/Statutory Procedural Requirements:

Internal Circulation: N/A

Legal/Statutory Authority: N/A

Existing Policy: N/A

Personnel Implications: N/A

A handwritten signature in black ink, appearing to be a stylized name.

External Agency/Public Comments: N/A
Communications Comments: N/A
Alternate Recommendation: N/A

Submitted by:



S. Samaddar, Airport Director

Approved for inclusion:



Doug Gilchrist, Acting General Manager, Corporate Sustainability

Appendix "A"

LANDLORD'S CONSENT TO ASSIGNMENT OF SUBLEASE

Re: Lease no. 109806 (Pacific 1375) made between Transport Canada (the "Landlord") and the City of Kelowna (the "Tenant") and subleased by the Tenant to Northern Air Support Ltd. (the "Subtenant") of the premises as defined in the sublease (the "Sublease") attached hereto (the "Premises").

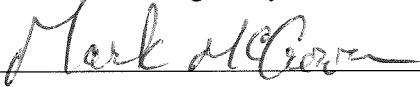
To: **THE LANDLORD AND THE TENANT**

The Subtenant hereby applies to you for permission to assign the Sublease and the Premises as of the 1st day of May, 2012 to 8072248 Canada Inc. (the "Assignee") for all the residue of the term and any renewals created by the Sublease.

Dated the 18 day of April, 2012.

NORTHERN AIR SUPPORT LTD.

by its authorized signatory:



To: **THE LANDLORD, THE TENANT AND THE SUBTENANT**

The Assignee hereby covenants that in consideration of your giving consent to the assignment of the Sublease from the Subtenant to the Assignee, the Assignee shall as of the effective date of this assignment pay the rent reserved in the Sublease and observe and perform the covenants, conditions and agreements of the Subtenant, the Tenant, and the Landlord shall be entitled to all remedies in respect of non-payment of rent and breaches of covenants, conditions and agreements as if the Assignee were the Subtenant named in the Sublease.

Dated the 18 day of April, 2012.

8072248 CANADA INC.

by its authorized signatory:



To: **THE LANDLORD AND THE SUBTENANT**

The Tenant hereby consents to the requested assignment to the Assignee, except that the covenant in the Sublease against assignment and sub-letting shall remain in full force and effect, provided however that nothing contained in this assignment or consent by the Tenant shall in any way excuse or relieve the Subtenant from any obligations under the Sublease.

The Tenant covenants that the Sublease is as attached and is unamended.

The Tenant hereby acknowledges that the Sublease is in good standing as at the date hereof and that the current term of the Sublease expires on December 30, 2029.

Dated the ____ day of _____, 2012.

THE CITY OF KELOWNA

by its authorized signatory:

To: **THE TENANT AND THE SUBTENANT**

The Landlord hereby consents to the requested assignment to the Assignee, except that the covenant in the Sublease against assignment and sub-letting shall remain in full force and effect, provided however that nothing contained in this assignment or consent by the Landlord shall in any way excuse or relieve the Subtenant from any obligations under the Sublease.

The Landlord covenants that the Lease is as attached and is unamended.

The Landlord hereby acknowledges that the Lease is in good standing as at the date hereof and that the current term of the Lease expires on December 31, 2034.

Dated the ____ day of _____, 2012.

DEPARTMENT OF TRANSPORT
by its authorized signatory:

/jyb



Transport Canada / Transports Canada

ORIGINAL - ORIGINALE

158144

NO. - N° _____

Consent to Supplemental Agreement of Sublease

between

CITY OF KELOWNA

and

NORTHERN AIR SUPPORT LTD.

Date of Supplemental Agreement: August 22, 2008

Public Work Concerned: Kelowna Airport, B.C.

Description: Consent to Supplemental Agreement of Sublease No. 144676 being a portion of Lease No. 109806 (PACIFIC 1375) dated December 19, 1979

Date of Consent: September 8, 2008

DEPT'L REFERENCE - RÉFÉRENCE DU MINISTÈRE
FILE NO. - N° DU DOSSIER
T7156-P131

MEMORANDA - NOTES

[Empty box for memoranda/notes]

TO WHOM IT MAY CONCERN

WHEREAS:

The Minister of Transport, hereby, pursuant to the fourth clause of:

- (a) Lease No. 109806 (PACIFIC 1375) dated the nineteenth day of December, 1979, (hereinafter called "Lease") Her Majesty the Queen in right of Canada, represented therein by the Minister of Transport, granted to The City of Kelowna, all and singular those certain parcels of land situate, lying and being in the Province of British Columbia, Osoyoos Division, Yale District, consisting of Lot 3 - Registered Plan 11796, District Lot 120 - Plan 1929, Lot 7 - Registered Plan 1502, comprising all of the Kelowna Airport and being more particularly shown on Drawing No. P131P007N026, dated June 1, 1978, together with buildings and facilities as listed in the Index to Buildings and shown on Drawing No. P131P007N026, dated June 1, 1978, thereto annexed. Together with the Lessor's equipment as enumerated in the Schedule annexed thereto marked "A";
- (b) the Lease was further renewed and amended by agreements supplemental thereto dated November 8, 1983, January 15, 1985, October 31, 1986, January 19, 1990, November 29, 1990, May 26, 1994, June 14, 1994 and February 16, 1996, respectively, all of which will be referenced thereto at length and more fully appear;
- (c) the Lease was subleased in part by the City of Kelowna to Northern Air Support Ltd. ("Sub-Lessee") and Mr. D. Eccott ("Guarantor"), by a sublease dated the 16th day of December, 1994 which was consented to by the Minister of Transport on the 18th day of January, 1995, bearing No. 144676 in the records of the Department of Transport, all of which will be referenced thereto at length and more fully appear;
- (d) the Sublease No. 144676 was assigned by Northern Air Support Ltd. ("Sub-Tenant") and 555550 B.C. Ltd. ("Assignee") and David Eccott, Businessman ("Guarantor") and DIA Met Minerals Ltd. ("Lender") dated 25th day of March, 1998, which was consented to by the Minister of Transport on the 7th day of April, 1998 and bearing No. 148992, in the records of the Department of Transport; all of which will be referenced thereto at length and more fully appear;
- (e) the Sublease No. 148992 was reassigned to Northern Air Support Ltd. ("Tenant") by 555550 B.C. Ltd. ("Sub-Tenant") and City of Kelowna ("Sub-Landlord") and David Eccott, Businessman ("Guarantor") dated the 16th day of February, 2001 which was consented to by the Minister of Transport on the 2nd day of March, 2001 and bearing No. 150957, in the records of the Department of Transport, all of which will be referenced thereto at length and more fully appear;

NOW THEREFOR, the Minister of Transport, pursuant to Clause No. 4 of the Lease, hereby **CONSENTS** to the supplemental agreement of Sublease No. 144676, which supplemental agreement is dated the 22nd day of August, 2008, annexed hereto marked "A" made between:

CITY OF KELOWNA

("LESSEE")

AND

NORTHERN AIR SUPPORT LTD.

("SUBLESSEE")

(hereinafter called "Consent to Supplemental Agreement"), **IN SO FAR ONLY** as the terms of the Consent to Supplemental Agreement of Sublease No. 144676 are within the terms of the Lease.

BY SUCH CONSENT, HOWEVER, Her Majesty the Queen in right of Canada shall not waive or be deemed to have waived compliance and observance on the part of the City of Kelowna, its heirs, executors, administrators, successors and assigns, of the covenants, conditions and reservations in the Lease to be complied with, observed and performed on their or any of their parts, nor to have waived, impaired or restricted in any way whatsoever any of the rights or remedies of Her Majesty the Queen in respect of the Lease or the property or rights thereby leased or to have approved of the form or any of the terms of the Supplemental Agreement.

It is hereby expressly declared that the sole object, purport and effect of this Consent is merely to meet the requirements of clause four of the Lease, and no action shall be taken or things done or maintained, under, by virtue of, or in connection with the Supplemental Agreement of the Sublease that may prejudice, impair or affect in any way whatsoever any of the rights or remedies of Her Majesty the Queen in Right of Canada.

DATED AT VANCOUVER, B.C., this 8th day of September, 2008



for Minister of Transport

DUPLICATE ORIGINAL

KELOWNA INTERNATIONAL AIRPORT

SUPPLEMENTAL AGREEMENT

TO

LAND SUB-LEASE

BETWEEN THE

CITY OF KELOWNA

AND

NORTHERN AIR SUPPORT LTD.

(YLW FILE NO. 2380-20-8083)

THIS AGREEMENT made this 22 day of AUGUST, 2008.

BETWEEN:

CITY OF KELOWNA

a municipal corporation having its offices at
1435 Water Street, Kelowna,
British Columbia, V1Y 1J4

(the "Lessee")

OF THE FIRST PART

AND:

NORTHERN AIR SUPPORT LTD.,

6285 Airport Way
Kelowna, British Columbia, V1V 1S1

(the "Sub-Lessee")

OF THE SECOND PART

RECITALS

WHEREAS:

A. By Sub-Lease dated December 16, 1994 designated No. 144676 in the records of the Department of Transport, the Lessee granted to the Sub-Lessee a sub-lease of certain lands comprising part of the Kelowna International Airport (the "Sub-Lease");

B. The Sub-Lease has been amended from time to time pursuant to supplemental agreements including, without limitation, the agreements dated March 25, 1998, February 16, 2001 and November 9, 2004 (the "Supplemental Agreements");

C. The Sub-Lease, the Supplemental Agreements and all amendments to the Sub-Lease to the date of this Agreement are herein collectively called the "Sub-Lease";

The parties agree as follows:

NEW FIXED TERM OF SUB-LEASE AND NO RENEWALS

1. The Sub-Lease is amended by deleting all rights of renewal of the Sub-Lease. Effective December 31, 2007 the Term of the Sub-Lease shall be for a fixed term of 22 years commencing December 31, 2007 and ending December 30, 2029.

EFFECTIVE DATES OF AMENDMENTS TO SUB-LEASE

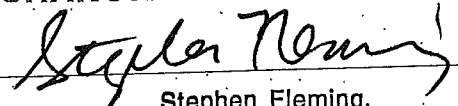
2. This Agreement shall be in full force and effect December 31, 2007. All terms and conditions of the Sub-Lease continue to be in full force and effect as amended by this Agreement.

By the Lessee:

CITY OF KELOWNA
by its authorized signatory(ies)



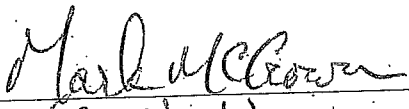
SHARON SHEPHERD, MAYOR



Stephen Fleming,
City Clerk

By the Sub-Lessee:

NORTHERN AIR SUPPORT LTD.
by its authorized signatory(ies)



(President)



Airport General Manager's Office
 Kelowna International Airport
 #1-5533 Airport Way
 Kelowna, B.C. V1V 1S1
 Tel: (250) 765-5125 Fax: (250) 765-0213
 www.ylw.aero

July 16, 2007

DUPLICATE ORIGINAL

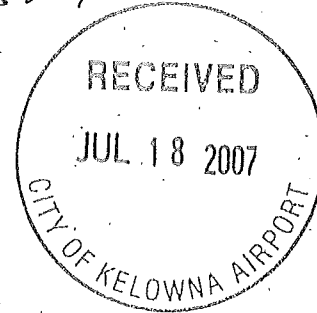
File: 2380-20-8083

2/1 8/10 2/07 # 2380-20-8083 *18 Jul/07*

DELIVERED BY HAND

Mr. Mark McGowan
 General Manager
 Northern Air Support Ltd.
 6285 Airport Way,
 Kelowna, BC V1V 1S1

2	Roger	Sam	
	Gerry	Dave	
	Noreen	Neil	
	Candace	James	
	Deb	Henry	
	Lori		
	Carol		
	Action	FYI	✓
	Comments	Discuss	



Dear Mark:

RE: NORTHERN AIR SUPPORT SITE IMPROVEMENTS – KELOWNA INT'L AIRPORT

Thank you for your letter dated July 5, 2007 and the following drawings outlining the proposed site improvements to your facility:

- Proposed Apron & Parking Lot Upgrade (dated July 7, 2007), Reference C31101028-C00

Prior to site construction proceeding, we need Northern Air Support's confirmation on the following Terms and Conditions. Northern Air Support acknowledges that this does not constitute final approval.

With respect to the business proposal, we are prepared to recommend to Council a 10 year extension to your sub-lease based on an investment by Northern Air Support of \$200,000.00 as outlined in your letter. A new supplemental agreement will require approval by Council and consent by Transport Canada and will extend your sub-lease expiry date from December 30, 2019 to December 30, 2029.

With respect to the development proposal itself we have the following comments:


- 1) You will be required to meet the requirements in Bylaw No. 8140 which includes submitting a landscaping bond in the amount of 125% of the estimated cost of landscaping. You will be required to submit a detailed landscaping plan that outlines the type of landscaping design including the number of different species of plants and the amount of money you intend to invest in this portion of the upgrades. I would encourage you to use dry land landscaping as part of the City's initiative in the conservation of resources.

Mr. Mark McGowan
July 16, 2007
Page 2


- 2) You need to confirm your current sub-lease boundary via survey and ensure none of the new construction protrudes beyond your current sub-lease.
- 3) A plan of construction operations is required for the airside work to ensure the construction work is carried out in a safe manner associated with aircraft and airport operations and the airports safety management system.
- 4) You will be required to install retro reflective markings on the new taxiway connection to taxiway delta.
- 5) A white line will be required on the east edge of your new apron to delineate the sub-lease boundary.
- 6) All areas that are disturbed as a consequence of the project will have to be restored to the satisfaction of the Airport General Manager, including such items as grading and hydro seeding.

Subject to your review and agreement of this proposal, we will put this development on the Council agenda for July 23rd, 2007. To confirm you are in agreement, please sign the duplicate original of this letter and return it to my office before July 23rd, 2007.

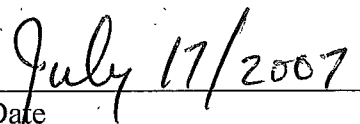
Yours truly,


R. Sellick
Airport General Manager

SS/tag



Mr. Mark McGowan, Northern Air Support Ltd.



Date

TO WHOM IT MAY CONCERN

WHEREAS:

The Minister of Transport, hereby, pursuant to the fourth clause of:

- (a) Lease No. 109806 (PACIFIC 1375) dated the nineteenth day of December, 1979, (hereinafter called "Lease") Her Majesty the Queen in right of Canada, represented therein by the Minister of Transport, granted to The City of Kelowna, all and singular those certain parcels of land situate, lying and being in the Province of British Columbia, Osoyoos Division, Yale District, consisting of Lot 3 - Registered Plan 11796, District Lot 120 - Plan 1929, Lot 7 - Registered Plan 1502, comprising all of the Kelowna Airport and being more particularly shown on Drawing No. P131P007N026, dated June 1, 1978, together with buildings and facilities as listed in the Index to Buildings and shown on Drawing No. P131P007N026, dated June 1, 1978, thereto annexed. Together with the Lessor's equipment as enumerated in the Schedule annexed thereto marked "A";
- (b) the Lease was further renewed and amended by agreements supplemental thereto dated November 8, 1983, January 15, 1985, October 31, 1986, January 19, 1990, November 29, 1990, May 26, 1994, June 14, 1994 and February 16, 1996, respectively, all of which will by reference thereto at length and more fully appear;
- (c) the Lease was subleased in part by the City of Kelowna to Northern Air Support Ltd. ("Sub-Lessee") and Mr. D. Eccott ("Guarantor"), by a sublease dated the 16th day of December, 1994 which was consented to by the Minister of Transport on the 18th day of January, 1995 pursuant to No. 144676, all of which will be referenced thereto at length and more fully appear;

NOW THEREFOR, the Minister of Transport, pursuant to Clause No. 4 of the Lease, hereby **CONSENTS** to the supplemental agreement of Sublease No. 144676, which supplemental agreement is dated the 9th day of November, 2004, annexed hereto marked "A" made between:

CITY OF KELOWNA

("LESSEE")

AND

NORTHERN AIR SUPPORT LTD.

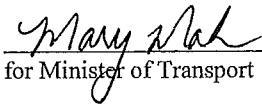
("SUB-LESSEE")

(hereinafter called "Consent to Supplemental Agreement"), **IN SO FAR ONLY** as the terms of the Consent to Supplemental Agreement of Sublease No. 144676 are within the terms of the Lease.

BY SUCH CONSENT, HOWEVER, Her Majesty the Queen in right of Canada shall not waive or be deemed to have waived compliance and observance on the part of the City of Kelowna, its heirs, executors, administrators, successors and assigns, of the covenants, conditions and reservations in the Lease to be complied with, observed and performed on their or any of their parts, nor to have waived, impaired or restricted in any way whatsoever any of the rights or remedies of Her Majesty the Queen in respect of the Lease or the property or rights thereby leased or to have approved of the form or any of the terms of the Supplemental Agreement.

It is hereby expressly declared that the sole object, purport and effect of this Consent is merely to meet the requirements of clause four of the Lease, and no action shall be taken or things done or maintained, under, by virtue of, or in connection with the Supplemental Agreement of the Sublease that may prejudice, impair or affect in any way whatsoever any of the rights or remedies of Her Majesty the Queen in Right of Canada.

DATED AT VANCOUVER, B.C., this 17th day of November, 2004.



for Minister of Transport

DUPLICATE ORIGINAL

KELOWNA INTERNATIONAL AIRPORT

SUPPLEMENTAL AGREEMENT

TO

LAND SUB-LEASE

BETWEEN THE

CITY OF KELOWNA

AND

NORTHERN AIR SUPPORT LTD.

(YLW FILE NO. 2380-20-8083)

THIS AGREEMENT made this 9th day of November, 2004.

BETWEEN:

CITY OF KELOWNA

a municipal corporation having its offices at
1435 Water Street, Kelowna,
British Columbia, V1Y 1J4

(the "Lessee")

OF THE FIRST PART

AND:

NORTHERN AIR SUPPORT LTD.,

6285 Airport Way
Kelowna, British Columbia, V1V 1S1

(the "Sub-Lessee")

OF THE SECOND PART

RECITALS

WHEREAS:

- A. By Sub-Lease dated December 16, 1994 designated No. 144676 in the records of the Department of Transport, the Lessee granted to the Sub-Lessee a sub-lease of certain lands comprising part of the Kelowna International Airport (the "Sub-Lease");
- B. The Sub-Lease has been amended from time to time pursuant to supplemental agreements including, without limitation, the agreement dated March 25, 1998 (the "Supplemental Agreement");
- C. The Sub-Lease, the Supplemental Agreement and all amendments to the Sub-Lease to the date of this Agreement are herein collectively called the "Sub-Lease";

The parties agree as follows:

EXTENSION OF LAND RENTAL AREA

1. The Sub-Lessee has made application to the Lessee for an additional parcel of land of 5,372.31 sq.ft. to be added to the Sub-Lease as shown and designated Parcel Lease Area 'B' on Schedule A (the "Added Sub-Lease Land") and the Lessee has agreed to grant such application on the terms and conditions of this Agreement effective September 1, 2004;

RENT AND AIRPORT MAINTENANCE CHARGES

2. The parties have agreed that the rent and airport maintenance charge for the additional area would be as provided for in the existing sub-lease.

- a. for each year of the Term of the Sub-Lease rent calculated at the rate of \$0.2483 per square foot of sub-leased area = 46,490.79 square feet x \$0.2483 = \$11,543.66 per annum = \$961.97 per month, payable in advance; and
- b. for each year of the Term of the Sub-Lease an airport maintenance charge calculated at the rate of \$0.0234 per square foot of sub-leased area = 46,490.79 square feet x \$0.0234 = \$1,087.88 per annum = \$90.65 per month, payable in advance; and
- c. an annual increase in the rent and airport maintenance charge payable under the Sub-Lease in the amount of 2 percent per annum commencing January 1, 2001; and
- d. without waiving any other right of action of the Lessee in the event of default of payment of any amounts owing under the Sub-Lease in the event that the Sub-Lessee is delinquent in paying amounts owing to the Lessee, the Sub-Lessee shall pay interest thereon at the rate of 1.5 percent per month (18.0 percent per annum) effective from the date of default until paid in full. In order to reflect prevailing interest rates the Lessee may review and adjust the interest rate from time to time.

REMOVAL OF PERSONAL GUARANTOR

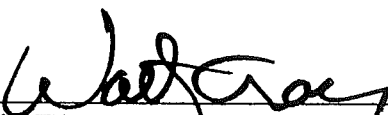
3. The parties have agreed to remove David Eccott as personal guarantor for the sub-lease.

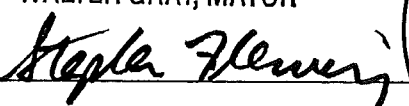
EFFECTIVE DATES OF AMENDMENTS TO SUB-LEASE

4. This Agreement shall be in full force and effect September 1, 2004. All terms and conditions of the Sub-Lease continue to be in full force and effect as amended by this Agreement.

By the Lessee:

CITY OF KELOWNA
by its authorized signatory(ies)

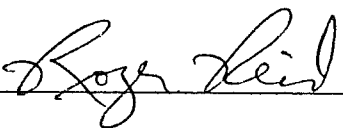



WALTER GRAY, MAYOR


STEPHEN FLEMING, ACTING CITY CLERK

By the Sub-Lessee:

NORTHERN AIR SUPPORT LTD.
by its authorized signatory(ies)







Airport General Manager's Office
Kelowna International Airport
#1-5533 Airport Way
Kelowna, B.C. V1V 1S1
Tel: (250) 765-5125 Fax: (250) 765-0213
www.kelownainternationalairport.ca

March 12, 2004

DUPLICATE ORIGINAL

File: 2380-20-8083

Mr. Johannes Vates
President / Chief Flight Instructor
Okanagan Mountain Helicopters FTU Ltd.
P.O. Box 30012, RPO Glenmore
Kelowna, BC V1V 2M4



Dear Mr. Vates:

RE: HELICOPTER FLIGHT SCHOOL NAME CHANGE/COMMERCIAL HELICOPTER OPERATION REQUEST - KELOWNA INTERNATIONAL AIRPORT

This will constitute a letter agreement concerning the operation of a helicopter flight school at the Kelowna International Airport. This agreement cancels and replaces the following letter agreements:

<u>Issued under Company Name:</u>	<u>Date:</u>
Aerial Recon Surveys, Ltd.	April 17, 2000
Aerial Recon Surveys Ltd.	May 11, 2000
Airborne Energy Solutions, Ltd.	February 16, 2001
Airborne Flight Training Ltd.	September 16, 2003.

As mentioned in our previous letter agreements, our greatest concern with this type of operation is the noise impact on the surrounding community, especially when the noise is repetitive in nature. Given the type of helicopters you use (R22, R44, and Bell 206), the airport is prepared to approve this operation provided that the following conditions are met:

4. All helicopter operations are to adhere to the attached Airport Manager's Circular Number 7/87. The airport will approve the use of the infield on the east side of the runway for training purposes.
5. In order to minimize the impact of noise on the surrounding community all helicopter operations must adhere to the following;
 - f) When departing from or approaching the airport, avoid flying over the residential areas, especially east of Old Vernon Road.
 - g) Avoid blade slap by ensuring that the pilots are aware of those flight conditions that produce blade slap and by developing piloting techniques which will eliminate or reduce this source of noise.
 - h) Develop your daily training to reduce the impact of repetitive noise by varying your flight path so you do not overfly the same area continuously.

Mr. Johannes Vates
Page 2
March 12, 2004

- i) As part of the pilots' initial training, ensure they are made aware of the concerns of the community with respect to noise and are briefed on noise sensitive areas.
 - j) Where possible, maximize the altitude when flying over built-up areas, preferably over 2000 feet AGL.
6. Okanagan Mountain Helicopters FTU Ltd. will be required to pay the applicable fees and charges as outlined in the Airport Fees Bylaw No. 7982. This will confirm agreement with Okanagan Mountain Helicopters FTU Ltd. and the Airport General Manager for a "touch-and-go" landing fee of fifty percent (50%) of the prevailing fee of \$12.13 for rotary wing aircraft, as outlined in the letter agreement dated April 27, 2000.

Providing that the airport's operational procedures are followed, we have no concerns with your application with respect to operating the 702 (aerial work) and 703 (air taxi) services from the airport.

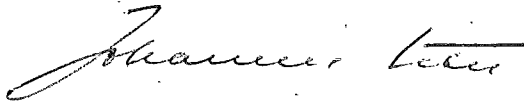
To signify agreement with these arrangements, please sign and date the duplicate original in the space provided and return it to the undersigned.

Yours truly,

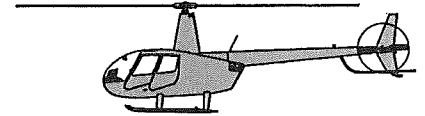


S. Samaddar
Assistant Airport General Manager

SS/cdu


JOHANNES VATES

MAR 12 2004



**AIRBORNE
FLIGHT TRAINING LTD.**

March 3, 2004

Mr. Sam Samaddar
Manager, Airside Operations
Kelowna International Airport
Kelowna, BC
V1V 1S1

#2380-20-8083

Roger	Sam	
Gerry	Brian	
Noreen	Neil	
Candace	James	
Deb	Henry	
Corey		
Carol		
Action	FYI	
Comments	Class	

Dear Mr. Samaddar:

Please be advised the Flight Training Unit (FTU) 'Airborne Flight Training Ltd.' will change its name within this month to 'Okanagan Mountain Helicopters FTU Ltd.'
At the same time we ask permission to operate a 702 (aerial work) and 703 (air taxi) commercial air service from the same location and with the same aircraft types as used by the Flight Training Unit. An application with Transport Canada has been made and proposed start date is April 1, 2004. The new company will operate as 'Okanagan Mountain Helicopters Ltd.'
We kindly ask you to reissue the helicopter flight school letter agreement to reflect above changes. Your consideration of this matter is greatly appreciated. I look forward to hearing from you.

Respectfully,

Johannes Vates
President



Airport General Manager's Office
Kelowna International Airport
#1-5633 Airport Way
Kelowna, B.C. V1V 1S1
Tel: (250) 765-5125 Fax: (250) 765-0213
www.kelownainternationalairport.ca

December 22, 2003

VIA FACSIMILE # 765-0077

Mr. Roger Reid
President & Chief Operating Officer
Northern Air Support Ltd.
6285 Airport Way
Kelowna, BC V1V 1S1

Dear Roger:

2380-20-8083

Roger	Sam
Gerry	Brian
Noreen	Neil
Candace	James
Deb	Henry
Cecy	
Carol	
Action	FYI
Comments	Discuss

OF 12/04

File: 2380-20-8083



Thank you for your letter of December 11, 2003 outlining your concerns with respect to the Skyline development and requesting a lease expansion.

With respect to the Skyline development, the proponents have agreed to move the east edge of the building west. The Skyline building will still extend beyond your facility by approximately 10 feet which, according to your letter, will address your concerns.

The airport is prepared to recommend to Council the extension of your sub-lease under the following understanding:

1. The additional land area will be expanded to the east for an additional area of approximately 499.13 square metres. The exact area will be determined by a legal survey. *5,372.16*
2. The rent and airport maintenance charges will be as per the conditions outlined in your existing sub-lease.
3. There will be a tail height restriction imposed on the east edge of the expanded lease building, not to exceed 9.50 metres.

If you are in agreement with what has been outlined, please sign the duplicate original attached. I will prepare the necessary Recommendation to Council.

Yours truly,

S. Samaddar
Assistant Airport General Manager

SS/cdu

Roger Reid

Jan 5/04
Date

September 16, 2003

DUPLICATE ORIGINAL

File: 2380-20-8083

Mr. Johannes Vates
President / Chief Flight Instructor
Airborne Flight Training Ltd.
P.O. Box 30012, RPO Glenmore
Kelowna, BC V1V 2M4

Dear Mr. Vates:

RE: HELICOPTER FLIGHT SCHOOL APPROVAL – KELOWNA INTERNATIONAL AIRPORT

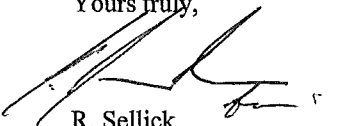
This will constitute a letter agreement concerning the operation of a helicopter flight school at the Kelowna International Airport. This agreement cancels and replaces the letter agreements issued to you under the company name of Aerial Recon Surveys, Ltd. dated April 17, 2000 and May 11, 2000, and the letter agreement issued to you under the company name Airborne Energy Solutions, Ltd., dated February 16, 2001.

As previously mentioned, our greatest concern with this type of operation is the noise impact on the surrounding community, especially when the noise is repetitive in nature. Given the type of helicopters you are proposing to use (R22, R44, and Bell 206), the airport is prepared to approve this operation provided that the following conditions are met:

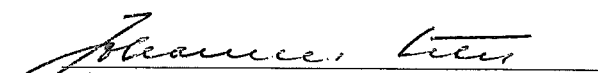
1. All helicopter operations are to adhere to the attached Airport Manager's Circular Number 7/87. The airport will approve the use of the infield on the east side of the runway for training purposes.
2. In order to minimize the impact of noise on the surrounding community all helicopter operations must adhere to the following:
 - a. When departing from or approaching the airport, avoid flying over the residential areas, especially east of Old Vernon Road.
 - b. Avoid blade slap by ensuring that the pilots are aware of those flight conditions that produce blade slap and by developing piloting techniques which will eliminate or reduce this source of noise.
 - c. Develop your daily training to reduce the impact of repetitive noise by varying your flight path so you do not overfly the same area continuously.
 - d. As part of the pilots' initial training, ensure they are made aware of the concerns of the community with respect to noise and are briefed on noise sensitive areas.
 - e. Where possible, maximize the altitude when flying over built-up areas, preferably over 2000 feet AGL.
3. Airborne Flight Training Ltd. will be required to pay the applicable fees and charge charges as outlined in the Airport Fees Bylaw No. 7982. This will confirm agreement with Airborne Flight Training Ltd. and the Airport General Manager for a "touch-and-go" landing fee of fifty percent (50%) of the prevailing fee of \$12.13 for rotary wing aircraft, as outlined in the letter agreement dated April 27, 2000.

To signify agreement with these arrangements, please sign and date the duplicate original in the space provided and return it to the undersigned.

Yours truly,

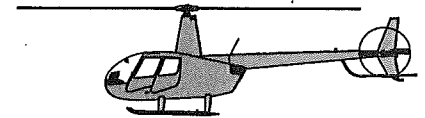

R. Sellick
Airport General Manager

SS/cdu


Johannes Vates, President / Chief Flight Instructor
Airborne Flight Training Ltd.

Date

SEP 23/03



**AIRBORNE
FLIGHT TRAINING LTD.**

August 7, 2003

Mr. Sam Samaddar
Manager , Airside Operations
Kelowna International Airport
Kelowna , BC
V1V 1S1

#2380-20-8057?

Roger	Sam	
Gerry	Brian	
Noreen	COLEBY	1
Candace	James	
Deb		
Sandi		
Carol		
Action	FYI	
Comments	Discuss	✓

Dear Mr. Samaddar:

Please be advised the Flight Training Division of Airborne Energy Solutions has changed ownership, name and location. The new company will operate under Airborne Flight Training Ltd. (maintaining the same Transport Canada Operator Certificate) and lease office and classroom space at 6285 Kelowna Airport (Northern Air Support). Intended start up is September 15, 2003 with the same aircraft types.

We kindly ask you to reissue the helicopter flight school letter agreement to reflect above changes. Your consideration of this matter is greatly appreciated. I look forward to hearing from you.

Respectfully,

Johannes Vates
President/Chief Flight Instructor



NO. - N° 150957

CONSENT TO RE-ASSIGNMENT OF SUBLEASE NO. 148992

BETWEEN

NORTHERN AIR SUPPORT

AND

555550 B.C. LTD.

Date of Re-Assignment of Sublease: February 16, 2001

Public Work Concerned - Kelowna, B.C.

Description - Re-Assignment of Sublease No. 148992 dated April 7, 1998
being a portion of Lease No. 109806 (PACIFIC 1375) dated
December 19, 1979

Date of Consent. March 2, 2001

150957

DEPT'L REFERENCE - RÉFÉRENCE DU MINISTÈRE
FILE NO. - N° DU DOSSIER TKC7156-P131-050

MEMORANDA - NOTES

[Empty box for memoranda/notes]

TO WHOM IT MAY CONCERN

WHEREAS:

The Minister of Transport, hereby, pursuant to the Assignment provision, being clause four of the following Lease, in which Her Majesty the Queen, represented therein by the Minister of Transport, granted to Northern Air Support Ltd.:-

- (a) Pursuant to Lease No. 109806 (PACIFIC 1375) dated the nineteenth day of December, 1979, (hereinafter called "Lease") Her Majesty the Queen in right of Canada, represented therein by the Minister of Transport, granted to The City of Kelowna, all and singular those certain parcels of land situate, lying and being in the Province of British Columbia, Osoyoos Division, Yale District, consisting of Lot 3 - Registered Plan 11796, District Lot 120 - Plan 1929, Lot 7 - Registered Plan 1502, comprising all of the Kelowna Airport and being more particularly shown on Drawing No. P131P007N026, dated June 1, 1978, together with buildings and facilities as listed in the Index to Buildings and shown on Drawing No. P131P007N026, dated June 1, 1978, thereto annexed. Together with the Lessor's equipment as enumerated in the Schedule annexed thereto marked "A";
- (b) the Lease was further renewed and amended by agreements supplemental thereto dated November 8, 1983, January 15, 1985, October 31, 1986, January 19, 1990, November 29, 1990, May 26, 1994, June 14, 1994 and February 16, 1996, respectively, all of which will by reference thereto at length and more fully appear;
- (c) a portion of the lands and premises having ultimately been sublet to Northern Air Support Ltd. by way of a Sublease dated December 16, 1994, bearing No. 144676, in the records of the Department of Transport;
- (d) the Sublease between the City of Kelowna and Northern Air Support Ltd. was assigned by Northern Air Support Ltd. to 555550 B.C. Ltd. by way of an Assignment of Sublease dated April 7, 1998, bearing No. 148992, in the records of the Department of Transport,

NOW THEREFOR, the Minister of Transport, hereby **CONSENTS** to the Re-Assignment of Sublease dated the 16th day of February, 2001, annexed hereto marked "A" made between:

NORTHERN AIR SUPPORT LTD.

"SUB-TENANT"

and

555550 B.C. LTD.

"ASSIGNEE"

and

CITY OF KELOWNA

"SUB-LANDLORD"

and

DAVID ECCOTT, Businessman

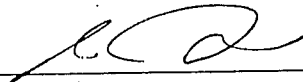
"GUARANTOR"

(hereinafter called "Re-Assignment of Sublease"), **IN SO FAR ONLY** as the terms of the Re-Assignment of Sublease are within the terms of the Lease.

BY SUCH CONSENT, HOWEVER, Her Majesty the Queen in right of Canada shall not waive or be deemed to have waived compliance and observance on the part of The City of Kelowna, its heirs, executors, administrators, successors and assigns, of the covenants, conditions and reservations in the Lease to be complied with, observed and performed on their or any of their parts, nor to have waived, impaired or restricted in any way whatsoever any of the rights or remedies of Her Majesty the Queen in respect of the Lease or the property or rights thereby leased or to have approved of the form or any of the terms of the Re-Assignment of Sublease.

It is hereby expressly declared that the sole object, purport and effect of this Consent is merely to meet the requirements of clause four of the Lease, and no action shall be taken or things done or maintained, under, by virtue of, or in connection with the Re-Assignment of Sublease that may prejudice, impair or affect in any way whatsoever any of the rights or remedies of Her Majesty the Queen in Right of Canada.

DATED AT VANCOUVER, B.C., this 2nd day of March Two Thousand and One.



for Minister of Transport

COPY

CONSENT TO RE-ASSIGNMENT OF SUBLEASE

THIS AGREEMENT made the 16TH day of ~~February~~, ²⁰⁰¹ 2000.

AMONG:

NORTHERN AIR SUPPORT LTD.

6285 Kelowna Airport, Kelowna, British Columbia, V1V 1S1

(the "Sub-Tenant")

OF THE FIRST PART

- and -

555550 B.C. LTD.

1695 Powick Road, Kelowna, British Columbia, V1X 4L1

(the "Assignee")

OF THE SECOND PART

- and -

CITY OF KELOWNA, a municipal corporation,

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

(the "Sub-Landlord")

OF THE THIRD PART

- and -

DAVID ECCOTT, Businessman,

Rafter F Ranch, Site 2, Compartment 10,
RR#1, Princeton, British Columbia, V0X 1W0,

(the "Guarantor")

OF THE FOURTH PART

WHEREAS:

A. Her Majesty the Queen in right of Canada, as represented by the Minister of Transport has leased to the City of Kelowna, in the Province of British Columbia the following lands by virtue of a lease described as follows:

Lease No. 109806 (Pacific 1375) dated the 19th day of December, 1979 (the "Lease") in which Her Majesty the Queen in right of Canada, represented therein by the Minister of Transport, granted to the City of Kelowna, in the Province of British Columbia, all and singular those certain parcels of land situate, lying and being in the Province of British Columbia, Osoyoos Division, Yale District, consisting of Lot 3 - Registered Plan 11796, District Lot 120 - Plan 1929, Lot 7 - Registered Plan 1502, comprising all of the Kelowna Airport and being more particularly shown on Drawing No. P131P007N026, dated July 1, 1978, together with buildings and facilities as listed in the Index to Buildings and shown on Drawing No. P131P007N026, dated July 1, 1978, thereto annexed. Together with the Lessor's equipment as enumerated in the Schedule annexed thereto marked "A", and which Lease was renewed and amended by agreements supplemental thereto dated November 8, 1983, January 15, 1985, October 31, 1986, January 19, 1990, November 29, 1990, May 26, 1994, June 14, 1994 and February 16, 1996, respectively, all of which will be reference thereto at length and more fully appear;

B. The Sub-Landlord has leased to the Sub-Tenant the following lands by virtue of a sub-lease described as follows:

Sub-Lease No. 144676 dated December 16, 1994 of a portion of Lease No. 109806 (Pacific 1375) dated the 19th day of December, 1979 being all and singular that certain parcel of land situate, lying and being in the Kelowna Airport at or in the vicinity of the City of Kelowna, in the Province of British Columbia; the said land comprising an area of 41,119 square feet, more or less, and being more particularly shown on drawing No. 9732 LSE.DWG dated the 23rd day of November, 1994 prepared by R.R. Runnalls & Associates, B.C. Land Surveyors annexed to the Sub-Lease, all of which will by reference thereto at length and more fully appear, and being particularly shown outlined in bold and described as Lease Area "A" on Reference Plan of Part of Lot 3, Plan 11796, DL. 32 and Sec. 14, Tp. 23, ODYD (the "Premises");

for the term commencing on the 1st day of January, 1995 for a period of five years, less a day, up to and including December 30, 1999 and then to be complete and ended, subject to the rents, covenants and conditions therein contained (the "Sub-Lease");

C. The Guarantor guaranteed all of the obligations of the Sub-Tenant pursuant to the terms of the Sub-Lease;

D. The Sub-Tenant granted to 555550 B.C. Ltd. (the "Assignee") an Assignment of the Sub-Tenant's interest in the Sub-Lease by assignment of Sub-Lease dated January 31, 1998 (the "Assignment of Sub-Lease");

E. The Assignee has by subsublease dated February 1, 1998 subsubleased the Premises to the Sub-Tenant (the Subsublease");

F. The Sub-Lease has been renewed for a further term of five (5) years commencing December 31, 1999 pursuant to Section 3.05 thereof;

G. The Subsublease has been terminated with the intent that the Sub-Lease be re-assigned by the Assignee to the Sub-Tenant and that the Guarantor be released from all of his obligations under the Sub-Lease pursuant to the re-assignment of Sub-Lease, a copy of which is annexed hereto as Schedule A (the "Re-Assignment of Sub-Lease");

55550 → *No Alan Shir*

H. The Sub-Tenant, the Assignee and the Guarantor have requested that the Sub-Landlord consent to the granting of the Re-Assignment of Sub-Lease and the release of the Guarantor from all of his obligations under the Sub-Lease.

In consideration of the premises and other and good valuable consideration:

1. The Sub-Landlord does hereby consent to the granting of the Re-Assignment of Sub-Lease.
2. The Guarantor is hereby released from any and all obligations pursuant to Article 13 of the Sub-Lease.
3. In granting this consent the Sub-Landlord shall not be deemed to have waived compliance and observance on the part of the Sub-Tenant or its successors and assigns of any of the covenants, conditions and reservations in the Sub-Lease to be complied with, observed and performed, nor to have waived, impaired or restricted in any way whatsoever any of the rights or remedies of the Sub-Landlord in respect of the Sub-Lease or the property or rights thereby sub-leased or to have approved of the form or any of the terms of the Re-Assignment of Sub-Lease. The Sub-Tenant and the Assignee do hereby expressly acknowledge and agree that the granting of this consent, as requested by the Sub-Tenant and the Assignee shall not constitute a waiver of nor modify or in any way affect the obligations of the Sub-Tenant and the rights and remedies of the Sub-Landlord in respect of the Sub-Lease, all of which obligations, rights and remedies remain in full force and effect.
4. In granting this consent it is agreed that the Sub-Landlord assumes no legal obligation whatsoever to the Assignee, the sole object, purport and effect of this consent being merely to comply with the request of the Sub-Tenant and the Assignee for consent and that no action shall be taken or anything done or maintained under, by virtue of or in connection with the

Re-Assignment of Sub-Lease that may prejudice, impair or affect in any way whatsoever any of the rights or remedies of the Sub-Landlord.

Dated this 16TH day of FEBRUARY, 2001, 2000.

the Sub-Tenant:

NORTHERN AIR SUPPORT LTD.
by its authorized signatory



the Assignee:

555550 B.C. LTD.
by its authorized signatory



the Sub-Landlord:

CITY OF KELOWNA
by its authorized signatory


_____ **Walter Gray, Mayor**


_____ **David L. Shipclark, City Clerk**

SCHEDULE "A"

RE-ASSIGNMENT OF SUBLEASE

THIS AGREEMENT is made effective as of the 20 day of October, 2000

BETWEEN:

555550 B.C. LTD., of 1695 Powick Road, Kelowna, British
Columbia, V1X 4L1

(hereinafter called the "Assignor")

OF THE FIRST PART

- and -

NORTHERN AIR SUPPORT LTD., of 6285 Kelowna Airport,
Kelowna, British Columbia, V1V 1S1

(hereinafter called the "Assignee")

OF THE SECOND PART

- and -

DAVID ECCOTT, Businessman, of Rafter F Ranch, Site 2,
Compartment 10, RR#1, Princeton, British Columbia, V0X 1W0

(the "Guarantor")

OF THE THIRD PART

WHEREAS:

- A. The City of Kelowna (the "City") has entered into a lease (the "Head Lease") with Her Majesty the Queen in Right of Canada dated the 19th day of December, 1979 and registered with the Department of Transport (the "Department of Transport") as No. 109806 wherein was granted to the City a lease on all and singular that certain parcel of land situate, lying and being in the Province of British Columbia, Osoyoos Division, Yale District, consisting of Lot 3 - Registered Plan 11796, District Lot 120 - Plan 1929 and Lot 7 - Registered Plan 1502, comprising all of Kelowna Airport;

- B. The Assignee entered into a sublease (the "Sublease") with the City dated the 16th day of December, 1994 among the City, the Assignee and David Eccott as Guarantor (the "Guarantor") pursuant to which the City subleased to the Assignee that certain parcel of land situate in the Kelowna Airport comprising an area of 41,119 square feet, more or less, and being more particularly shown as Area "A" on drawing No. 9732LSE.Dwg (the "Premises");
- C. The Assignee assigned to the Assignor by assignment of Sublease dated January 31, 1998, all right, title and interest of the Assignee in and to the Sublease (the "Assignment");
- D. The Assignor subsubleased the Premises to the Assignee by subsublease dated February 1, 1998 (the "Subsublease");
- E. The Subsublease has been terminated as of the date hereof with the intent that the Assignor re-assign the Sublease to the Assignee.

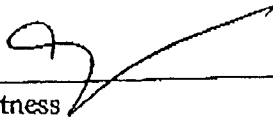
NOW THEREFORE THIS AGREEMENT WITNESSETH that in consideration of the premises and the sum of \$1.00 and other good and valuable consideration paid by each of the Assignee and the Assignor to the other, the receipt and sufficiency whereof by each of them is hereby acknowledged, the Assignee and the Assignor hereby covenant and agree, each with the other, as follows:


1. **Assignment.** Subject to Section 4 hereof, the Assignor hereby assigns to the Assignee all right, title and interest of the Assignor in and to the Sublease and the Premises together with the residue unexpired of the term of the Sublease and all the benefit and advantage to be derived therefrom effective as of the date hereof.
2. **Assignee's Covenants.** The Assignee hereby covenants and agrees with the Assignor as follows:
 - (a) that the Assignee shall perform and observe all the terms, conditions, provisos, obligations and covenants contained in the Sublease on the part of the sublessee therein named to be performed and observed; and
 - (b) the Assignor is hereby released of any and all obligations with respect to the Sublease and the performance and observance of any of the terms, conditions, provisos, obligations and covenants contained in the Sublease and the Assignee shall indemnify and save harmless the Assignor from all loss, damage, costs and expense suffered or incurred by the Assignor as a result of any breach, non-observance or non-performance of any such terms, conditions, provisos, obligations or covenants.

3. **Guarantor's Release.** The Guarantor is hereby released from any and all obligations as guarantor of the Sublease.
4. **Consents.** The assignment and release contemplated by this Agreement is subject to receipt of the Consents of the City and the Department of Transport, Canada, if necessary, and the Assignor and Assignee shall make all reasonable efforts to obtain such consents. Upon such consents being obtained, the assignment and release contemplated by this Agreement shall be deemed effective as of the date hereof.
5. **Further Assurances.** The parties covenant and agree to promptly execute such further assurances with respect to the Premises or the Sublease, or both, as either party may reasonably request from time to time in order to carry out the intent of this Agreement.

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

SIGNED, SEALED AND DELIVERED
in the presence of:

Witness 

Witness 

555550 B.C. LTD.

Per: 

NORTHERN AIR SUPPORT LTD.

Per: 

COPY

TRIPPLICATE ORIGINAL

KELOWNA INTERNATIONAL AIRPORT

SUPPLEMENTAL AGREEMENT

TO

LAND SUB-LEASE

BETWEEN THE

CITY OF KELOWNA

AND

555550 B.C. LTD.

(YLW FILE NO. 2380-20-8083.01)

THIS AGREEMENT made this 15TH day of JANUARY, ~~2000~~²⁰⁰¹.

BETWEEN:

CITY OF KELOWNA
a municipal corporation having its offices at
1435 Water Street, Kelowna,
British Columbia, V1Y 1J4

(the "Lessee")

OF THE FIRST PART

AND:

555550 B.C. LTD.
1695 Powick Road,
Kelowna, British Columbia, V1X 4L1

(the "Sub-Lessee")

OF THE SECOND PART

AND:

DAVID ECCOTT, businessman of Kelowna, B.C.

(the "Guarantor")

OF THE THIRD PART

RECITALS

WHEREAS:

A. By Sub-Lease dated December 16, 1994 designated No. 144676 in the records of the Department of Transport, the Lessee granted to the Sub-Lessee a sub-lease of certain lands comprising part of the Kelowna International Airport (the "Sub-Lease");

B. The Sub-Lease has been amended from time to time pursuant to supplemental agreements including, without limitation, the agreement dated March 25, 1998 (the "Supplemental Agreement");

C. The Sub-Lease, the Supplemental Agreement and all amendments to the Sub-Lease to the date of this Agreement are herein collectively called the "Sub-Lease";

D. The parties have agreed to amend the duration ("Term") of the Sub-Lease and to cancel any rights of renewal of the Sub-Lease and establish a new fixed Term of the Sub-Lease effective January 1, 2001;

E. The parties have agreed to establish the rent and airport maintenance charges payable under the Sub-Lease effective January 1, 2001 with annual increases thereafter;

F. The Guarantor has guaranteed all of the obligations of the Sub-Lessee under the terms of the Sub-Lease and enters into this Agreement to confirm the Guarantor's duty to guarantee performance by the Sub-Lessee of all terms and conditions of the Sub-Lease as amended by this Agreement;

The parties agree as follows:

RENT AND AIRPORT MAINTENANCE CHARGES

1. The Sub-Lease is amended by providing that the rent and airport maintenance charges payable by the Sub-Lessee pursuant to the Sub-Lease are as follows effective January 1, 2001:

- a. for each year of the Term of the Sub-Lease rent calculated at the rate of \$0.234 per square foot of sub-leased area = 41,119.48 square feet x \$0.234 = \$9,621.96 per annum = \$801.83 per month, payable in advance; and
- b. for each year of the Term of the Sub-Lease an airport maintenance charge calculated at the rate of \$0.022 per square foot of sub-leased area = 41,119.48 square feet x \$0.022 = \$904.56 per annum = \$75.38 per month, payable in advance; and
- c. an annual increase in the rent and airport maintenance charge payable under the Sub-Lease in the amount of 2 percent per annum commencing January 1, 2002; and
- d. without waiving any other right of action of the Lessee in the event of default of payment of any amounts owing under the Sub-Lease in the event that the Sub-Lessee is delinquent in paying amounts owing to the Lessee, the Sub-Lessee shall pay interest thereon at the rate of 2 percent per month (26.82 percent per annum) effective from the date of default until paid in full. In order to reflect prevailing interest rates the Lessee may review and adjust the interest rate from time to time.

NEW FIXED TERM OF SUB-LEASE AND NO RENEWALS

2. The Sub-Lease is amended by deleting all rights of renewal of the Sub-Lease. Effective January 1, 2001 the Term of the Sub-Lease shall be for a fixed term of 18 years, 11 months, 30 days commencing January 1, 2001 and ending December 30, 2019.



**Kelowna
International Airport**

Airport General Manager's Office
#1-5533 Kelowna International Airport
Kelowna, B.C. V1V 1S1
Tel: (250) 765-5125 Fax: (250) 765-0213

February 7, 2000

DUPLICATE ORIGINAL

File: 2380-20

DELIVERED BY HAND

Mr. Roger Reid, President
Northern Air Support Ltd.
6285 Kelowna International Airport
Kelowna, B.C.
V1V 1S1

Dear Roger:

**RE: AIRCRAFT LANDING FEES - D.B.A. NORTHERN AIR SUPPORT LTD.
KELOWNA INTERNATIONAL AIRPORT**


This will confirm agreement with Northern Air Support Ltd. and the Airport General Manager for a 'touch-and-go' landing fee at 50% of the prevailing rate.

This agreement is conditional on the following arrangements:


1. All company landings of turbine and jet aircraft must be reported.
2. The landings are to be reported using the Airport's Commercial Aircraft Fees Record (See Appendix "A").
3. The Commercial Aircraft Fees Record must be submitted no later than the 7th day of the following month.
4. Failure to comply with these terms will result in the termination of this agreement.

To signify agreement with these arrangements, would you please sign and date the duplicate original in the space provided and return it to the undersigned.

Yours truly,


R. Sellick
Airport General Manager

SS:bak
Enclosure


Signed on behalf of Northern Air Support Ltd.
Roger Reid, President, Northern Air Support Ltd.

March 20, 2000
Date

cc: President, 555550 B.C. Ltd. - 1695 Powick Road, Kelowna, B.C. V1X 4L1

COPY

SUBSUBLEASE

THIS INDENTURE is made effective as of the 1st day of February, 1998.

BETWEEN:

555550 B.C. LTD., a company incorporated under the laws of British Columbia, having an office at 1695 Powick Road, Kelowna, British Columbia, V1X 4L1

(hereinafter called the "Sublandlord")

OF THE FIRST PART

AND:

NORTHERN AIR SUPPORT LTD., a corporation incorporated under the laws of Alberta, having an office at 6285 Kelowna Airport, Kelowna, British Columbia, V1V 1S1

(hereinafter called the "Subtenant")

OF THE SECOND PART

WHEREAS:

A. Pursuant to a lease dated December 19, 1979 (the "Head Lease") made between Her Majesty the Queen in Right of Canada (the "Head Landlord"), as lessor, and the City of Kelowna (the "City"), as lessee and registered with the Department of Transport as No. 109806, the Head Landlord leased to the City certain lands and premises (the "Airport Property") situate, lying and being in the Province of British Columbia, Osoyoos Division, Yale District, consisting of Lot 3 - Registered Plan 11796, District Lot 120 - Plan 1929 and Lot 7 - Registered Plan 1502, comprising all of Kelowna Airport;

B. Pursuant to a sublease dated December 16, 1994 (the "Sublease") made between the City, as lessee, and the Subtenant, as sublessee, a copy of which is hereto attached as Schedule "A", the City leased to the Subtenant a portion of the Airport Property comprising an area of 41,119 square feet, more or less, and being more particularly shown as Area "A" on Drawing No. 9732LSE.Dwg annexed to Schedule "A" hereto (the "Premises");

C. Pursuant to an asset purchase and leaseback agreement (the "Asset Purchase and Leaseback Agreement") made effective as of January 31, 1998 and an assignment of sublease (the "Assignment") executed pursuant thereto, the Subtenant assigned the Sublease

to the Sublandlord, subject to receipt of all required consents from the Head Landlord and the City; and

D. Pursuant to the Asset Purchase and Leaseback Agreement, the Sublandlord agreed to subsublease the Premises to the Subtenant on the terms and conditions contained herein, subject to receipt of all required consents from the Head Landlord and the City;

NOW THEREFORE in consideration of the rents, covenants and agreements herein contained, the Sublandlord and Subtenant agree as follows:

1. DEMISE, TERM AND POSSESSION

1.1 The Sublandlord hereby subsubleases the Premises to the Subtenant to have and to hold the Premises for a term (the "Term") of one (1) year, ten (10) months and twenty-nine (29) days commencing effective as of February 1, 1998 (the "Commencement Date") and continuing up to and including December 29, 1999 and then to be fully completed and ended.

2. RENEWAL TERM AND OPTIONAL RENEWAL TERMS

2.1 Provided that the Subtenant is not then in default hereunder, the Sublandlord shall not later than September 15, 1999 give notice in writing to the City pursuant to section 3.05 of the Sublease of the Sublandlord's desire to renew the Sublease for a term of not less than three (3) years, one (1) month and two (2) days from December 31, 1999 to February 1, 2003, both days inclusive, and provided that the City grants to the Sublandlord a renewal or extension of the Sublease for such additional term, and provided that the Subtenant is not then in default hereunder, the Sublandlord shall grant to the Subtenant a renewal of this Subsublease for a term (the "Renewal Term") of one (1) year, one (1) month and two (2) days commencing on December 30, 1999 and continuing up to and including January 31, 2001 and then to be fully completed and ended, upon the same terms and conditions as during the Term, save and except that the Base Rent for the Renewal Term shall be calculated as provided in Article 3.2(c) hereof.

2.2 Provided that this Subsublease has been renewed as provided in Article 2.1, and provided that the Subtenant is not then in default hereunder and has given written notice to the Sublandlord at least ninety (90) days prior to the expiration of the Renewal Term of its intention to exercise the within option to renew, then the Sublandlord shall grant to the Subtenant the right to extend the Renewal Term for a further period of one (1) year (the "First Optional Renewal Term") commencing upon the expiration of the Renewal Term and continuing up to and including January 31, 2002 and then to be fully completed and ended, upon the same terms and conditions as during the Renewal Term, save and except that the

Base Rent for the First Optional Renewal Term shall be calculated as provided in Article 3.2(d) hereof.

2.3 Provided that the Subsublease has been renewed as provided in Article 2.1 and extended as provided in Article 2.2, and provided that the Subtenant is not then in default hereunder and has given written notice to the Sublandlord at least ninety (90) days prior to the expiration of the First Optional Renewal Term of its intention to exercise the within option to renew, then the Sublandlord shall grant to the Subtenant the right to extend the Renewal Term for a further period of one (1) year (the "Second Optional Renewal Term") commencing upon the expiration of the First Optional Renewal Term and continuing up to and including January 31, 2003 and then to be fully completed and ended, upon the same terms and conditions as during the First Optional Renewal Term, save and except that the Base Rent for the Second Optional Renewal Term shall be calculated as provided in Article 3.2(e) hereof.

2.4 For greater certainty, it is the intent of the parties that optional renewals shall be limited to two (2) in number and that if all optional renewals are exercised, the Renewal Term of this Subsublease will not extend beyond three (3) years, one (1) month and two (2) days from the expiration of the initial Term hereof.

2.5 It is understood and agreed that renewal for the Renewal Term and the Subtenant's rights to renewal hereunder are contingent upon and subject to the Sublandlord's right to renew the Sublease. In the event that the Sublandlord shall not be entitled to renew the Sublease, the Subtenant's rights to renewal shall lapse and be at an end.

3. BASE RENT

3.1 The Subtenant shall pay to the Sublandlord at its address set out on the first page hereof (or at such other address as the Sublandlord may in writing direct) base rent (the "Base Rent") during the Term, any Renewal Term, any First Optional Renewal Term and any Second Optional Renewal Term calculated and adjusted periodically in accordance with Article 3.2 hereof.

3.2 The Base Rent shall be determined as follows:

- (a) the Base Rent payable in the first year of the Term, being the period from the Commencement Date to and including January 31, 1999, shall be \$33,600, such rent to be payable monthly in advance in twelve (12) installments of \$2,800 each;
- (b) the Base Rent payable in the next ten (10) months and twenty-nine (29) days of the Term, being the period from February 1, 1999 to and including

December 29, 1999, shall be a fair market rent for the Premises to be agreed by the parties or, failing agreement by January 31, 1999, to be determined by arbitration as provided in Article 3.3 hereof, such rent to be payable monthly in advance in eleven (11) equal installments;

- (c) if a renewal of the Sublease is granted by the City as provided in Article 2.1 hereof, the Base Rent payable for the Renewal Term, being the period from December 30, 1999 to and including January 31, 2001, shall be a fair market rent for the Premises to be agreed by the parties or, failing agreement by December 30, 1999, to be determined by arbitration as provided in Article 3.3 hereof, such rent to be payable monthly in advance in thirteen (13) equal installments;
- (d) if the Subtenant exercises the first renewal option pursuant to Article 2.2 hereof, the Base Rent payable for the First Optional Renewal Term shall be a fair market rent for the Premises to be agreed by the parties or, failing agreement by January 31, 2001, to be determined by arbitration as provided in Article 3.3 hereof, such rent to be payable monthly in advance in twelve (12) equal installments; and
- (e) if the Subtenant exercises the second renewal option pursuant to Article 2.3 hereof, the Base Rent payable for the Second Optional Renewal Term shall be a fair market rent for the premises to be agreed by the parties or, failing agreement by January 31, 2002, determined by arbitration as provided in Article 3.3 hereof, such rent to be payable monthly in advance in twelve (12) equal installments.

3.3 If the parties are unable to agree on a fair market rent for the Premises in accordance with Article 3.2(b), (c), (d) or (e) hereof then such Base Rent shall be determined by a single arbitrator under the *Commercial Arbitration Act* of British Columbia. The arbitrator shall determine such appropriate Base Rent by having reference to properties which have similar uses to and zoning, location and features otherwise comparable to the Premises.

3.4 The Base Rent payable during any period after the expiry of the first year of the Term shall be paid on the basis of the Base Rent in effect immediately prior to the commencement of such period until such time as the appropriate adjustment has been calculated. Any difference between the Base Rent so paid and the adjusted Base Rent shall be payable on the first day of the month following the calculation of the adjusted Base Rent.

4. ADDITIONAL RENT

4.1 In addition to the Base Rent set out in Article 3 hereof, the Subtenant shall be responsible for and shall pay:

- (a) To the Sublandlord, all amounts payable to the City under the Sublease as rent, including without limitation all amounts payable to the City under the Sublease by way of airport maintenance charges;
- (b) To the Sublandlord, all realty taxes and other taxes assessed or charged against the Premises;
- (c) To the Sublandlord, all other amounts payable to the City under the Sublease;
- (d) Directly to the appropriate taxing authority, all business taxes in respect of the Subtenant's use and occupancy of the Premises;
- (e) Directly to the appropriate utility supplier, all charges for water, electricity, gas, telephone and other utilities consumed at the Premises; and
- (f) To the Sublandlord forthwith following written demand, all premiums paid or payable by the Sublandlord in obtaining and maintaining any insurance in respect of the Premises obtained by the Sublandlord in accordance with Article 9.1(f) hereof and all other insurance the Sublandlord considers necessary or appropriate in respect of the Premises.

5. GOODS AND SERVICES TAX

5.1 The Subtenant covenants to pay to the Sublandlord any and all goods and services taxes ("GST") payable pursuant to the *Excise Tax Act* (Canada) in respect of the Base Rent and other amounts payable by the Subtenant to the Sublandlord hereunder.

6. CONDITION OF PREMISES

6.1 The Subtenant acknowledges and agrees that it is accepting the Premises on an "as is, where is" basis, including all existing leasehold improvements, fixtures and equipment located therein or forming part thereof.

7. SUBTENANT'S COVENANTS

7.1 The Subtenant covenants with the Sublandlord:

- (a) To pay Base Rent as specified in Article 3 hereof and all other charges for which it is responsible pursuant to Article 4 hereof;
- (b) To keep the Premises clean and in good and tenantable repair and condition in accordance with the requirements of the Sublease;
- (c) To permit the Head Landlord, the City and the Sublandlord or any person(s) authorized by them, at all reasonable times and upon prior reasonable notice, to enter and examine the condition of the Premises, and upon notice by either the Head Landlord, the City or the Sublandlord, to repair the Premises in accordance with the Subtenant's obligation to do so;
- (d) To observe and perform all covenants and obligations of the Subtenant under this Subsublease;
- (e) Not to do or omit to do any act or thing upon the Premises which would cause a breach of any of the Sublandlord's obligations under the Sublease;
- (f) Not to assign this Subsublease or sublet or part with possession of any part of the Premises without the prior written consent of the Sublandlord, which consent may be arbitrarily withheld;
- (g) To perform and observe or cause to be performed and observed with respect to the Premises all of the covenants of the Sublandlord as sublessee under the Sublease, including without limitation performance of the Sublandlord's obligations as to tenant's repairs, and to indemnify the Sublandlord from and against all actions, expenses, claims and demands in respect of such covenants;
- (h) To obtain and maintain, throughout the Term, all risks property insurance (including fire and earthquake) and machinery insurance on all objects owned or operated by the Subtenant or others on behalf of the Subtenant in the Premises, comprehensive general liability insurance, hangar keepers insurance and such other form or forms of insurance as the Sublandlord may reasonably request. All such policies of insurance shall contain a waiver of subrogation rights as between the insurers and the Sublandlord;
- (i) At the expiration or sooner termination of the Term, to deliver up possession of the Premises to the Sublandlord in the condition in which they are required to be maintained under this Subsublease;
- (j) To indemnify the Sublandlord from and against all liabilities and actions which arise as a result of any personal injury, property damage or death occurring

because of the act or omission of the Subtenant or those for whom it is in law responsible; and

- (k) To provide the Sublandlord, forthwith upon reasonable request by the Sublandlord, with receipts, proofs of payment, copies of insurance policies (or certificates of insurance) and other documents and writings reasonably required as proof of compliance by the Subtenant with its obligations under this Subsublease.

8. USE

8.1 The Premises shall be used only for the purpose of a site for a metal clad aircraft hangar and for aviation purposes and for no other purpose or purposes whatsoever.

9. SUBLANDLORD'S COVENANTS

9.1 The Sublandlord covenants with the Subtenant as follows:

- (a) For quiet enjoyment;
- (b) To pay the rent reserved by and to perform and observe all of the covenants on its part contained in the Sublease so far as the same are not hereby required to be performed and observed by the Subtenant;
- (c) To indemnify and save harmless the Subtenant from and against all proceedings, claims, damages, costs and expenses arising from any failure by the Sublandlord to pay when due the rent reserved under the Sublease (unless the Subtenant has failed to pay the rent then due to the Sublandlord hereunder) or arising from a breach of any of the Sublandlord's covenants contained in the Sublease other than those required to be performed and observed by the Subtenant hereunder;
- (d) In the event of any default or failure of performance by the City under the Sublease, the Sublandlord agrees, upon notice from the Subtenant, to take all commercially reasonable steps to cause the City to perform its obligations under the Sublease;
- (e) Not to amend or modify the Sublease in any manner which will or could materially and adversely affect the Subtenant without the prior written consent of the Subtenant, which consent shall not be unreasonably withheld or delayed; and

- (f) To obtain and maintain, throughout the Term, insurance on the Premises at least to the extent required under the Sublease.

10. ALTERATIONS AND IMPROVEMENTS AND REMOVAL OF FIXTURES, ETC.

10.1 The rights and obligations of the Subtenant with respect to the making of alterations and improvements to the Premises and the installation, alteration or removal of fixtures, improvements, trade fixtures and signs shall be governed by the applicable provisions of the Sublease provided that any and all approvals and consents required from the City under the Sublease shall also be required from the Sublandlord hereunder.

11. OTHER TERMS OF SUBLEASE

11.1 Except as herein expressly provided, all terms, conditions, covenants and agreements contained in the Sublease, including but in no way limited to provisions relating to default, landlord's remedies on default and events terminating the lease, are hereby incorporated into this Subsublease with the appropriate changes of reference being deemed to have been made, with the intent that such clauses shall govern the relationship in respect of such matters as between Sublandlord and Subtenant and shall apply to and be binding upon the parties hereto and their respective successors and permitted assigns.

12. RIGHT OF FIRST REFUSAL

12.1 The Sublandlord agrees with the Subtenant:

- (a) that if the Sublandlord receives from a third party (the "Third Party") a bona fide offer to take an assignment of the Sublandlord's interest in the Sublease which the Sublandlord is willing to accept or if the Sublandlord intends to make an offer to assign its interest in the Sublease to a Third Party, then the Sublandlord shall give to the Subtenant notice in writing of the offer or proposed offer (the "Offer") and attaching a copy of the Offer, and the Subtenant shall have the exclusive right, for a period of twenty-one (21) days from the date of receiving such notice, to take an assignment of the Sublandlord's interest in the Sublease upon the terms and conditions and at the amount provided in the Offer. If the Subtenant fails to exercise this right within the said twenty-one (21) day period, the Sublandlord shall have one hundred twenty (120) days thereafter within which to assign its interest in the Sublease to the Third Party upon terms no more favourable to the Third Party than as stated in the Offer, without further notice to the Subtenant; provided that if the Sublandlord does not assign its interest in the Sublease to the Third

Party within the said one hundred twenty (120) day period, the provisions of this Article 12 shall again become applicable to the assignment of the Sublandlord's interest in the Sublease, and so on from time to time; and

- (b) that the Sublandlord shall not assign its interest in the Sublease to a Third Party unless the Third Party shall have entered into an agreement with the Subtenant by which the Third Party shall be bound by and entitled to the benefit of the provisions of this Subsublease in the place of the Sublandlord;

provided that nothing in this Article 12 shall restrict the right of the Sublandlord to transfer the whole or any undivided part of its interest in the Sublease to an affiliate as defined in the *Company Act* of British Columbia, provided that if the affiliate thereafter ceases to be affiliated with the Sublandlord, such interest must be transferred back to the Sublandlord or offered for sale in accordance with this Article 12.

13. CONSENTS

13.1 The Subsublease contemplated herein is subject to receipt of all necessary consents of the Head Landlord and of the City, and the Sublandlord and the Subtenant shall make all reasonable efforts to obtain all such consents. Upon such consents being obtained, the Subsublease granted hereunder shall be deemed effective as of the date hereof. Within ten (10) days after the date this Subsublease is deemed effective, the Sublandlord and the Subtenant shall make all appropriate adjustments such that the Sublandlord shall receive all benefits and proceeds properly accruing to the Sublandlord as Sublandlord as and from the date hereof and the Subtenant shall receive all benefits and proceeds properly accruing to the Subtenant as Subtenant as and from the date hereof.

14. NET SUBSUBLEASE

14.1 All rent provided to be paid by the Subtenant shall be paid without any deduction, abatement or set-off whatsoever, it being the intention of this Subsublease that all expenses, costs, payments and outgoings, incurred in respect of the Premises, or for any other matter or thing affecting the Premises, shall (unless otherwise expressly stipulated herein to the contrary) be borne by the Subtenant, and that the rent hereunder provided shall be absolutely net to the Sublandlord and free of all deduction, abatement, set-off, goods and services tax, charges, rates, assessments, expenses, costs, payments or outgoings of every nature arising from or related to the Premises, and the Subtenant shall pay all these charges, rates, assessments, expenses, costs, payments and outgoings.

15. FURTHER ASSURANCES

15.1 Each party shall from time to time hereafter and upon any reasonable request of the other party make or cause to be made all such further acts, deeds, assurances and things as may be required to more effectually implement the true intent of this Subsublease.

16. EXPROPRIATION

16.1 In the event of any taking by expropriation or conveyance in lieu thereof of the whole or any part of the Premises which materially affects the Subtenant's business operations in the Premises, the Subtenant shall have the right to terminate this Subsublease by written notice given to the Sublandlord no later than twenty (20) days after such expropriation or conveyance in lieu thereof.

17. INDEMNITIES TO SURVIVE

17.1 The termination of this Subsublease shall not operate as a waiver or satisfaction in whole or in part and shall not merge any covenant, term, agreement or indemnity on any party's part to be performed hereunder.

18. NO REGISTRATION OF LEASE

18.1 The Sublandlord shall not be obligated to execute or deliver this Subsublease in form registerable under the *Land Title Act* of British Columbia and the Subtenant agrees not to register this Subsublease against the title to the Sublandlord's Premises.

19. ARREARS

19.1 Any amount payable by the Subtenant under this Subsublease which is not paid when due shall bear interest from the due date at a rate per annum equal to the prime rate, being the rate of interest expressed as a rate per annum that the Royal Bank of Canada establishes as a reference rate of interest that it will charge for Canadian Dollar demand loans to its commercial customers in Canada, plus three percent (3%) per annum, and shall be paid at the time of payment of such arrears.

20. CERTIFICATES

20.1 Each party shall at any time and from time to time upon not less than ten (10) days' prior notice given by the other party hereto, execute and deliver to such other party or to whomsoever such other party directs, a statement in writing certifying that this Subsublease is unmodified and in full force and effect or, if modified, stating the modifications and that the same is in full force and effect as so modified, the amount of the

Base Rent then being paid hereunder, the dates to which the same, by instalments or otherwise and other charges hereunder, have been paid, and whether or not there is any existing default on the part of such other party of which the party issuing such statement has notice.

21. NOTICE

21.1 Any notice given under this Subsublease shall be in writing and delivered or communicated by facsimile to:

(a) The Subtenant:

Northern Air Support Ltd.
6285 Kelowna Airport
Kelowna, British Columbia
V1V 1S1
Attention: The President
Fax No. (250) 765-0077

(b) The Sublandlord:

555550 B.C. Ltd.
1695 Powick Road
Kelowna, British Columbia
V1X 4L1
Attention: The President
Fax No. (250) 861-3649

Such notice shall be deemed to have been delivered upon delivery or communicated upon transmission unless such notice is delivered or transmitted outside of usual business hours, in which event the notice shall be deemed to have been delivered or transmitted during the next usual business hour.

22. NO REPRESENTATIONS

22.1 It is understood and agreed that there are no covenants, representations, agreements, warranties or conditions in any way related to the subject matter of this Subsublease, whether express or implied, collateral or otherwise, except for those set forth herein or in any document or agreement referred to herein. The schedule attached hereto

SCHEDULE "A"

SUBLEASE

EKB:148254/A



Transport Canada / Transports Canada

DUPLICA

COPY

ORIGINAL - ORIGINALE

14 8992

NO. - N°

CONSENT TO AN ASSIGNMENT OF SUBLEASE

BETWEEN

NORTHERN AIR SUPPORT LTD.

AND

555550 B.C. LTD.

Date of Assignment of Sublease - March 25, 1998

Public Work Concerned - Kelowna Airport

Description - Assignment of Sublease 144676 dated December 16, 1994 being a portion of Lease No. 109806 (PACIFIC 1375) dated December 19, 1979.

Date of Consent - April 7, 1998

14 8992

DÉPTL REFERENCE - RÉFÉRENCE DU MINISTÈRE FILE NO. - N° DU DOSSIER TKC5156-P131-050
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MEMORANDA - NOTES

TO WHOM IT MAY CONCERN

WHEREAS:

- (a) Pursuant to Lease No. 109806 (PACIFIC 1375) dated the nineteenth day of December, 1979, (hereinafter called "Lease") Her Majesty the Queen in right of Canada, represented therein by the Minister of Transport, granted to The City of Kelowna, all and singular those certain parcels of land situate, lying and being in the Province of British Columbia, Osoyoos Division, Yale District, consisting of Lot 3 - Registered Plan 11796, District Lot 120 - Plan 1929, Lot 7 - Registered Plan 1502, comprising all of the Kelowna Airport and being more particularly shown on Drawing No. P131P007N026, dated June 1, 1978, together with buildings and facilities as listed in the Index to Buildings and shown on Drawing No. P131P007N026, dated June 1, 1978, thereto annexed. Together with the Lessor's equipment as enumerated in the Schedule annexed thereto marked "A";
- (b) the Lease was further renewed and amended by agreements supplemental thereto dated November 8, 1983, January 15, 1985, October 31, 1986, January 19, 1990, November 29, 1990, May 26, 1994, June 14, 1994 and February 16, 1996, respectively, all of which will by reference thereto at length and more fully appear;
- (c) the Lease was subleased in part by the City of Kelowna to Northern Air Support Ltd. by a sublease dated the 16th day of December, 1994 which was consented to by the Minister of Transport on the 18th day of January, 1995, pursuant to No. 144676, all of which will be referenced thereto at length and more fully appear;
- (d) the Sublease between the City of Kelowna and Northern Air Support Ltd. was sub-subleased by way of mortgage to DIA MET Minerals Ltd. by a sub-sublease dated the 8th day of March, 1996 which was consented to by the Minister Transport on the 18th day of October, 1996, pursuant to No. 146822, all of which will be referenced thereto at length and more fully appear; and

NOW THEREFOR, the Minister of Transport, pursuant to Clause No. 4 of the Lease, hereby **CONSENTS** to the Assignment of Sublease dated the 25th day of March, 1998, annexed hereto marked "A" made between:

CITY OF KELOWNA

("SUB-LANDLORD")

- AND -

NORTHERN AIR SUPPORT LTD.

("SUB-TENANT")

- AND -

555550 B.C. LTD.

("ASSIGNEE")

- AND -

DAVID ECCOTT

("GUARANTOR")

DIA MET MINERALS LTD.

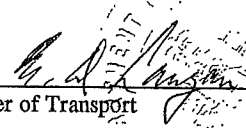
("LENDER")

(hereinafter called "Assignment of Sublease"), **IN SO FAR ONLY** as the terms of the Assignment of Sublease are within the terms of the Lease.

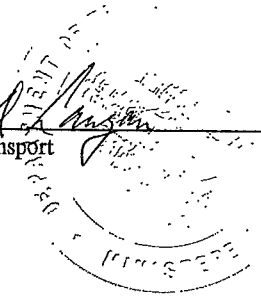
BY SUCH CONSENT, HOWEVER, Her Majesty the Queen in right of Canada shall not waive or be deemed to have waived compliance and observance on the part of the City of Kelowna, its heirs, executors, administrators, successors and assigns, of the covenants, conditions and reservations in the Lease to be complied with, observed and performed on their or any of their parts, nor to have waived, impaired or restricted in any way whatsoever any of the rights or remedies of Her Majesty the Queen in respect of the Lease or the property or rights thereby leased or to have approved of the form or any of the terms of the Assignment of Sublease.

It is hereby expressly declared that the sole object, purport and effect of this Consent is merely to meet the requirements of clause four of the Lease, and no action shall be taken or things done or maintained, under, by virtue of, or in connection with the Assignment of Sublease that may prejudice, impair or affect in any way whatsoever any of the rights or remedies of Her Majesty the Queen in Right of Canada.

DATED AT VANCOUVER, B.C., this 7th day of April One Thousand Nine Hundred and Ninety-Eight.



for Minister of Transport



CONSENT TO ASSIGNMENT OF SUB-LEASE

THIS AGREEMENT made the 25th day of March, 1998.

AMONG:

NORTHERN AIR SUPPORT LTD.,
6285 Kelowna Airport, Kelowna, British Columbia
V1V 1S1

(the "Sub-Tenant")

OF THE FIRST PART

AND:

55550 B.C. LTD.,
1695 Powick Road, Kelowna, British Columbia
V1X 4L1

(the "Assignee")

OF THE SECOND PART

AND:

DAVID ECCOTT, Businessman,
of Kelowna, British Columbia

(the "Guarantor")

OF THE THIRD PART

AND:

DIA MET MINERALS LTD.,
1695 Powick Road, Kelowna, British Columbia
V1X 4L1

(the "Lender")

OF THE FOURTH PART

AND:

CITY OF KELOWNA, a municipal corporation,
1435 Water Street, Kelowna, B.C. V1Y 1J4

(the "Sub-Landlord")

OF THE FIFTH PART

WHEREAS:

A. Her Majesty the Queen in right of Canada, as represented by the Minister of Transport has leased to the City of Kelowna, in the Province of British Columbia the following lands by virtue of a lease described as follows:

Lease No. 109806 (Pacific 1375) dated the 19th day of December, 1979 (the "Lease") in which Her Majesty the Queen in right of Canada, represented therein by the Minister of Transport, granted to the City of Kelowna, in the Province of British Columbia, all and singular those certain parcels of land situate, lying and being in the Province of British Columbia, Osoyoos Division, Yale District, consisting of Lot 3 - Registered Plan 11796, District Lot 120 - Plan 1929, Lot 7 - Registered Plan 1502, comprising all of the Kelowna Airport and being more particularly shown on Drawing No. P131P007N026, dated June 1, 1978, together with buildings and facilities as listed in the Index to Buildings and shown on Drawing No. P131P007N026, dated June 1, 1978, thereto annexed. Together with the Lessor's equipment as enumerated in the Schedule annexed thereto marked "A", and which Lease was renewed and amended by agreements supplemental thereto dated November 8, 1983, January 15, 1985, October 31, 1986, January 19, 1990, November 29, 1990, May 26, 1994, June 14, 1994 and February 16, 1996, respectively, all of which will by reference thereto at length and more fully appear;

B. The City of Kelowna (the "Sub-Landlord") has leased to Northern Air Support Ltd. (the "Sub-Tenant") the following lands by virtue of a sub-lease described as follows:

Sub-Lease No. 144676 dated December 16, 1994 of a portion of Lease No. 109806 (Pacific 1375) dated December 19, 1979 being all and singular that certain parcel of land situate, lying and being in the Kelowna Airport at or in the vicinity of the City of Kelowna, in the Province of British Columbia; the said land comprising an area of 41,119 square feet, more or less, and being more particularly shown on Drawing No. 9732 LSE.DWG dated the 23rd day of November, 1994 prepared by R.R. Runnalls & Associates, B.C. Land Surveyors annexed to the Sub-Lease, all of which will by reference thereto at length and more fully appear, and being particularly

shown outlined in bold and described as Lease Area "A" on Reference Plan of Part of Lot 3, Plan 11796, DL. 32 and Sec. 14, Tp. 23, ODYD;

for the term commencing on the 1st day of January, 1995 for a period of five years, less a day, up to and including December 30, 1999 and then to be complete and ended, subject to the rents, covenants and conditions therein contained (the "Sub-Lease").

C. David Eccott (the "Guarantor") has guaranteed all of the obligations of the Sub-Tenant pursuant to the terms of the Sub-Lease;

D. The Sub-Tenant has granted certain security to Dia Met Minerals Ltd. (the "Lender"), including, inter alia, a mortgage of the Sub-Lease securing the principal amount of \$1,816,221 (the "Mortgage of Sub-Lease");

E. The Sub-Tenant has agreed to grant to 555550 B.C. Ltd. (the "Assignee") an Assignment of the Sub-Tenant's interest in the Sub-Lease (the "Assignment of Sub-Lease"), a copy of which is attached hereto as Schedule "A";

F. The Sub-Tenant, the Assignee, the Guarantor and the Lender have requested that the Sub-Landlord consent to the granting of the Assignment of Sub-Lease.

In consideration of the premises and other good and valuable consideration:

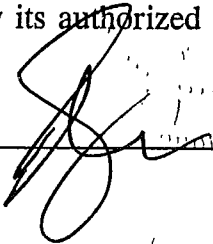
1. The Sub-Landlord does hereby consent to the granting of the Assignment of Sub-Lease.
2. In granting this consent the Sub-Landlord shall not be deemed to have waived compliance and observance on the part of the Sub-Tenant or the Guarantor and their respective executors, administrators, successors and assigns of any of the covenants, conditions and reservations in the Sub-Lease to be complied with, observed and performed, nor to have waived, impaired or restricted in any way whatsoever any of the rights or remedies of the Sub-Landlord in respect of the Sub-Lease or the property or rights thereby sub-leased or to have approved of the form or any of the terms of the Assignment of Sub-Lease. The Sub-Tenant, the Assignee, the Guarantor and the Lender do hereby expressly acknowledge and agree that the granting of this consent, as requested by the Sub-Tenant, the Assignee, the Guarantor and the Lender, shall not constitute a waiver of nor modify or in any way affect the obligations of the Sub-Tenant, the Assignee or the Guarantor and the rights and remedies of the Sub-Landlord in respect of the Sub-Lease, all of which obligations, rights and remedies remain in full force and effect.
3. In granting this consent it is agreed that the Sub-Landlord assumes no legal obligation whatsoever to the Assignee, the sole object, purport and effect of this consent being

merely to comply with the request of the Sub-Tenant, the Assignee, the Guarantor and the Lender for consent and that no action shall be taken or anything done or maintained under, by virtue of or in connection with the Assignment of Sub-Lease that may prejudice, impair or affect in any way whatsoever any of the rights or remedies of the Sub-Landlord.

Dated this 25th day of March, 1998.

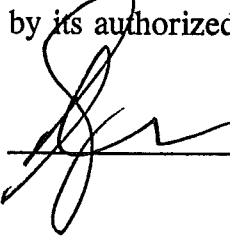
the Sub-Tenant:

NORTHERN AIR SUPPORT LTD.
by its authorized signatory

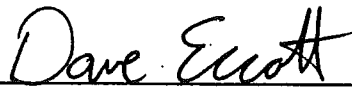


the Assignee:

555550 B.C. LTD.
by its authorized signatory



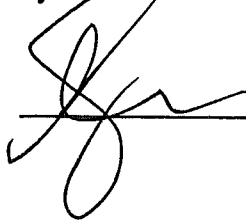
the Guarantor:



David Eccott

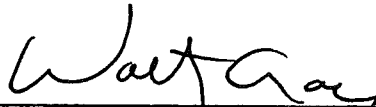
the Lender:

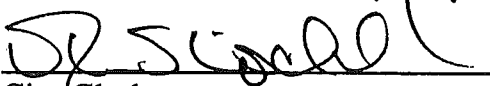
DIA MET MINERALS LTD.
by its authorized signatory



the Sub-Landlord:

CITY OF KELOWNA
by its authorized signatories



Mayor **Walter Gray, Mayor**


City Clerk **David L. Shipclark, City Clerk**

SCHEDULE "A"

ASSIGNMENT OF SUBLEASE

THIS AGREEMENT is made effective as of the 31st day of January, 1998.

BETWEEN:

NORTHERN AIR SUPPORT LTD., of 6285 Kelowna
Airport, Kelowna, British Columbia, V1V 1S1

(hereinafter called the "Sublessee")

OF THE FIRST PART

AND:

555550 B.C. LTD., of 1695 Powick Road, Kelowna, British
Columbia, V1X 4L1

(hereinafter called the "Assignee")

OF THE SECOND PART

AND:

DAVID ECCOTT, Businessman, of Rafter F Ranch, Site 2,
Compartment 10, R.R. #1, Princeton, British Columbia,
VOX 1W0

(hereinafter called the "Guarantor")

OF THE THIRD PART

WHEREAS:

A. The City of Kelowna (the "City") has entered into a lease (the "Head Lease") with Her Majesty the Queen in Right of Canada dated the 19th day of December, 1979 and registered with the Department of Transport (the "Department of Transport") as No. 109806 wherein was granted to the City a lease on all and singular that certain parcel of land situate, lying and being in the Province of British Columbia, Osoyoos Division, Yale District, consisting of Lot 3 - Registered Plan 11796, District Lot 120 - Plan 1929 and Lot 7 - Registered Plan 1502, comprising all of Kelowna Airport;

B. The Sublessee has entered into a sublease (the "Sublease") with the City dated the 16th day of December, 1994 among the City, the Sublessee and the Guarantor pursuant to which the City subleased to the Sublessee that certain parcel of land situate in the Kelowna Airport comprising an area of 41,119 square feet, more or less, and being more particularly shown as Area "A" on drawing No. 9732LSE.Dwg (the "Premises"), the said Sublease and drawing being hereto annexed as Schedule "A";

C. The Sublessee proposes to assign to the Assignee all right, title and interest of the Sublessee in and to the Sublease (the "Assignment"); and

D. The consents of the City and of the Department of Transport must be obtained for the Assignment contemplated in this Agreement;

NOW THEREFORE THIS AGREEMENT WITNESSES that in consideration of the premises and the sum of One Dollar (\$1.00) and other good and valuable consideration paid by each of the parties hereto to the other of them, the receipt whereof by each of them is hereby acknowledged, the parties hereto covenant and agree each with the other as follows:

1. Assignment. Subject to section 4 hereof, the Sublessee hereby assigns to the Assignee all right, title and interest of the Sublessee in and to the Sublease and the Premises together with the residue unexpired of the term of the Sublease and all the benefit and advantage to be derived therefrom effective as of the date hereof.

2. Assignee's Covenants. The Assignee hereby covenants and agrees with the Sublessee as follows:

(a) that the Assignee shall perform and observe all the terms, conditions, provisos, obligations and covenants contained in the Sublease on the part of the Sublessee therein named to be performed and observed, and shall indemnify and save harmless the Sublessee from all loss, damage, cost and expense suffered or incurred by the Sublessee as a result of any breach, non-observance or non-performance of any such terms, conditions, provisos, obligations or covenants; and

(b) that the Assignee shall not assign or transfer the Sublease or the term or any portion thereof or let or sublet or grant any licence for occupation in respect of all or any part of the Premises except in accordance with the provisions of the Sublease.

3. Guarantor's Consent. The Guarantor hereby consents to the Assignment by the Sublessee to the Assignee as herein provided and acknowledges and agrees that his obligations as guarantor under the Sublease remain in full force and effect notwithstanding such assignment.

4. Consents. The Assignment contemplated in this Agreement is subject to receipt of all necessary consents of the City and of the Department of Transport, and the Sublessee and the Assignee shall make all reasonable efforts to obtain such consents. Upon such consents being obtained, the Assignment contemplated in this Agreement shall be deemed effective as of the date hereof.

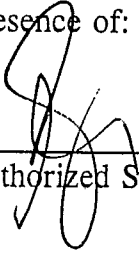
5. Status of Sublease. The parties acknowledge that the Sublease is unamended and in full force and effect.

6. Notice. Any notice given in connection with this Agreement may be delivered to the respective addresses set out above or to such other address as any of the parties may designate in writing, and shall be delivered in accordance with the terms of the Sublease.

7. Further Assurances. The parties hereto each covenant and agree to promptly execute such further assurances with respect to the Premises or the Sublease, or both, as any party hereby may reasonably require from time to time in order to carry out the intent of this Agreement.

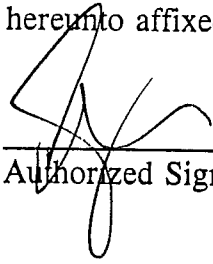
IN WITNESS WHEREOF the parties hereto have executed this Agreement as of the day and year first above written.

The Corporate Seal of NORTHERN AIR)
SUPPORT LTD. was hereunto affixed in the)
presence of:)


_____)
Authorized Signatory)

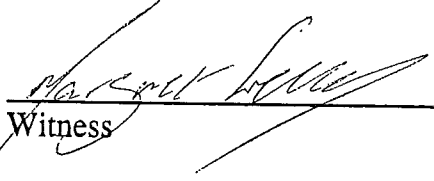
C/S

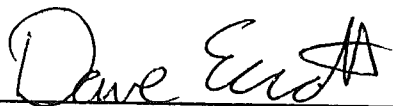
The Common Seal of 555550 B.C. LTD. was)
hereunto affixed in the presence of:)


_____)
Authorized Signatory)

C/S

SIGNED, SEALED AND DELIVERED by)
David Eccott in the presence of:)


_____)
Witness)


_____)
David Eccott

SCHEDULE "A"

SUBLEASE

EKB:148229/A

144676

NO. - N°

CONSENT TO A SUB-LEASE

between

CITY OF KELOWNA

- and -
NORTHERN AIR SUPPORT LTD.

- and -
MR. D. ECCOTT

Date of Sub-Lease	- December 16, 1994
Public Work Concerned	- Kelowna, B.C.
Description	- Sub-Lease of a portion of Lease No. 109806 (Pacific 1375) dated December 19, 1979.
Date of Consent	- JAN 18 1995

144676

DEPTL REFERENCE - RÉFÉRENCE DU MINISTÈRE
FILE NO. - N° DU DOSSIER
AKC 5156-P131-5

MEMORANDA - NOTES

[Empty box for memoranda/notes]

TO WHOM IT MAY CONCERN

The Minister of Transport, hereby, pursuant to the fourth Clause of -

Lease No. 109806 (Pacific 1375) dated the nineteenth day of December, 1979, (hereinafter called "Lease") in which Her Majesty the Queen in right of Canada, represented therein by the Minister of Transport, granted to the City of Kelowna, in the Province of British Columbia, all and singular those certain parcels of land situate, lying and being in the province of British Columbia, Osoyoos Division, Yale District, consisting of Lot 3 - Registered Plan 11796, District Lot 120 - Plan 1929, Lot 7 - Registered Plan 1502, comprising all of the Kelowna Airport and being more particularly shown on Drawing No. P131P007N026, dated June 1, 1978, together with buildings and facilities as listed in the Index to Buildings and shown on Drawing No. P131P007N026, dated June 1, 1978, thereto annexed. Together with the Lessor's equipment as enumerated in the Schedule annexed thereto marked "A", and which Lease was renewed and amended by agreements supplemental thereto dated November 8, 1983, January 15, 1985, October 31, 1986, January 19, 1990, May 26, 1994 and June 14, 1994, respectively, all of which will by reference thereto at length and more fully appear,

CONSENTS to the Sub-Lease dated the sixteenth day of December, 1994, annexed hereto marked "A" made between -

CITY OF KELOWNA

"Sub-Lessor"

- and -

NORTHERN AIR SUPPORT LTD.

"Sub-Lessee"

- and -

MR. D. ECCOTT

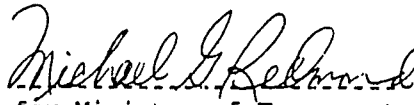
"Guarantor"

(hereinafter called "Sub-Lease") of a portion of the Lease, IN SO FAR ONLY as the terms of the Sub-Lease are within the terms of the Lease.

BY SUCH CONSENT, HOWEVER, Her Majesty the Queen in right of Canada shall not be deemed to have waived compliance and observance on the part of the Province, its executors, administrators, successors and assigns, of any of the covenants, conditions and reservations in the Lease to be complied with, observed and performed on their or any of their parts, nor to have waived, impaired or restricted in any way whatsoever any of the rights or remedies of Her Majesty the Queen in respect of the Lease or the property or rights thereby leased or to have approved of the form or any of the terms of the Sub-Lease except insofar as such terms are within the terms of the Lease.

It is hereby expressly declared that the sole object, purport and effect of this Consent is merely to meet the requirements of clause four of the Lease and no action shall be taken or things done or maintained, under, by virtue of, or in connection with the Sub-Lease that may prejudice, impair or affect in any way whatsoever any of the rights or remedies of Her Majesty the Queen in right of Canada.

DATED AT OTTAWA, Ontario this 18th day of January, One thousand nine hundred and ninety-five.


for Minister of Transport

TRIPPLICATE ORIGINAL

"A"

KELOWNA AIRPORT

LAND SUB-LEASE

BETWEEN

THE CITY OF KELOWNA

AND

NORTHERN AIR SUPPORT LTD.

(YLW FILE NO. 5156-65)

THIS INDENTURE made this 16 day of Dec . One thousand nine hundred and ninety 94 .

BETWEEN:

THE CITY OF KELOWNA, a municipal corporation having its Municipal Offices at 1435 Water Street in the City of Kelowna, Province of British Columbia
(hereinafter called "Lessee" or "the City"),

OF THE FIRST PART

-and-

NORTHERN AIR SUPPORT LTD.

1695B Powick Road, Kelowna, British Columbia, V1X 4L1

(hereinafter called "the Sub-Lessee"),

OF THE SECOND PART

- and -

MR. D. ECCOTT, Businessman of Kelowna, B.C.

(hereinafter called "the Guarantor")

OF THE THIRD PART

WHEREAS:

- A. The City of Kelowna entered into a lease (hereinafter referred to as "the Head Lease") with Her Majesty dated the first day of December 1979, and registered with the Department of Transport, as No. 109806 wherein granted to the City of Kelowna all and singular that certain parcel of land situate, lying and being in the province of British Columbia, Osoyoos Division, Yale District, consisting of Lot 3 - Registered Plan 11796, District Lot 120 - Plan 1929, Lot 7 - Registered Plan 1502, comprising all of Kelowna Airport;
- B. The Sub-Lessee is desirous of leasing from the Lessee part of the Lessee's Land for aviation purposes;
- C. The City of Kelowna is desirous of sub-leasing a portion of the Kelowna Airport to the Sub-Lessee on the terms and conditions contained herein;
- D. The approval of the Department of Transport shall be obtained for the Sub-Lease herein.

WITNESSETH that the Lessee, in consideration of the rents, covenants, provisos and conditions hereinafter reserved and contained, has demised and sub-leased, and, by this Sub-Lease, demises and leases to the Sub-Lessee:

ALL AND SINGULAR that certain parcel of land (hereinafter referred to as "the said land") situate, lying and being comprised, in the Kelowna Airport (hereinafter referred to as "the said airport") at Kelowna, in the Province of British Columbia; the said land comprising an area of 41,119 square feet, more or less, and being more particularly shown as area "A" on Drawing No. 9732LSE.Dwg hereto annexed.

AND the Parties agree as follows:

ARTICLE I
DEFINITIONS

- (1) The word "Lessor" when used herein shall mean the Sovereign and shall include the Successors and Assigns of the Sovereign;
- (2) The words "City" or "Lessee" when used herein shall mean the City of Kelowna.
- (3) The word "Sub-Lessee" or other words relative thereto, or of like import, shall mean and include, irrespective of gender or number, the party or parties of the second part as above designated or described, and their or any of their executors, administrators, successors or assigns;
- (4) The word "Minister" shall mean the person holding the position, or acting in the capacity, of the Minister of Transport, for the time being and shall include the person holding the position, or acting in the capacity, of the Deputy Minister of Transport, for the time being;
- (5) The words "Airport Manager" shall mean the person holding that position, or acting in the capacity, of the Airport Manager of the Kelowna Airport, for the time being.

ARTICLE 2
PURPOSE

The said land shall be used as a site for a metal clad aircraft hangar (hereinafter referred to as "the said building") and the said land and the said building shall be used for aviation purposes and for no other purpose or purposes whatsoever.

ARTICLE 3
TERM

3.01 LENGTH OF TERM

The Sub-Lessee shall have and hold the said land, from and after the 1st day of January, 1995 for a period of five years, less a day, up to and including December 30th, 1999 and then to be complete and ended.

3.02 OVERHOLDING TENANCY

It is hereby agreed by and between the parties hereto that if the Sub-Lessee shall hold over after the expiration of the term hereby granted and the Lessee shall accept rent, the new tenancy thereby created shall be a tenancy at will and not a tenancy from year to year, and the Sub-Lessee shall pay as rent during the time of such occupancy a rent to be determined at the discretion of the Lessee, and shall be subject to the covenants and conditions herein contained so far as the same are applicable to a tenancy at will.

3.03 CANCELLATION PRIVILEGE

If by reason of fire, flood, lightning, tempest, earthquake, impact of aircraft, explosion, or Acts of God, or the Queen's enemies the said building shall, at any time during the term hereby granted be destroyed or so damaged as to render the said building unfit for occupancy, the Sub-Lessee will, then, have a period of ninety (90) days after such damage or destruction within which to decide whether or not it will repair or rebuild. If the Sub-Lessee decides not to rebuild or repair, it may terminate this Sub-Lease by notice, in writing, given to the Lessee within the said ninety (90) day period; provided, however, that in the event of such notice being given to the Lessee pursuant to this clause, the rent reserved to the Lessee under this Sub-Lease shall be due and payable up to the date of removal of the said building and clearance and levelling of the said land to the satisfaction of the Lessee.

3.04 SURRENDER OF PREMISES

At the expiration or sooner determination of the term of this Sub-Lease, the Sub-Lessee shall peaceably surrender and yield to the Lessee, in a condition satisfactory to the Lessee, the said land and the said building. The Sub-Lessee shall thereupon forthwith remove from the said land and the said building all chattels, goods, supplies, articles, equipment, materials, effects or things and shall also, to the satisfaction of the Lessee, repair all and every damage and injury occasioned to the premises of the Lessee by reason of such removal or in the performance thereof, but the Sub-Lessee shall not, by reason of any action taken or things performed or required under this clause, be entitled to any compensation whatever. Unless required by the Lessee, no chattels, goods, supplies, articles, equipment, materials, effects or things shall be removed from the said land or the said building until all rent due or to become due under this Sub-Lease is fully paid. The City may, at its option, remove at the risk of and at the cost and expense of the Sub-Lessee, the chattels, goods, supplies, articles, equipment, materials, effects or things from the said land or the said building and the Sub-Lessee shall

reimburse the Lessee forthwith upon receipt of appropriate accounts therefor and for any storage charges which may have been or will be incurred by the Lessee as a result of such removal. Where not removed by the Sub-Lessee, the Lessee may consider the chattels, goods, supplies, articles, equipment, materials, effects or things to be abandoned, and take title thereto in the name of the Lessee.

3.05 RENEWAL

That if, at the expiration of the term by these Presents created, the Sub-Lessee shall desire a renewal of these Presents for a term of five (5) years, or any lesser term, the Sub-Lessee shall at least three (3) months before such expiration give notice in writing of such desire to the Lessee and if it shall then appear that all rent or other sums or charges due or payable by virtue of these Presents have been fully paid and that the Sub-Lessee has on its part observed and performed all the covenants, provisos, conditions and reservations in these Presents contained, the Lessee shall grant to the Sub-Lessee a renewal or extension of this Sub-Lease for a term not exceeding five (5) years commencing December 31st, 1999 and in like manner, at the expiration of such second term, for a third term of five (5) years, commencing December 31st, 2004 and in like manner, at expiry of such third term, for a fourth term of five (5) years, commencing December 31st, 2009 and in like manner, at the expiration of such fourth term, for a fifth term of five (5) years, commencing December 31st, 2014, subject to the covenants, provisos, conditions and reservations herein contained, except however, that the rental to be paid during such renewal periods, may be fixed and determined by the City of Kelowna at the time of such renewal at any greater or other rate than herein reserved and that such renewed Sub-Lease shall not contain any provision or clause for further or other renewal; and the Sub-Lessee hereby covenants and agrees that such revised rental shall be due and payable effective as of the beginning of the term of renewal of this Sub-Lease and that any rental payment made after expiration of the term by these Presents created or after the expiration of any renewal thereof, in any amount other than the revised amount fixed and determined pursuant to this clause as the rental payable during such renewal term shall be a conditional installment payment only and shall be subject to adjustment after the rental for such renewal has been so fixed and determined retroactive to the first day of such renewal. It is understood and agreed that the Sub-Lessee's right to renew hereunder is contingent upon and subject to the Lessee's right to renew the Head Lease. In the event that the Lessee shall not be entitled to renew the Head Lease the Sub-Lessee's right to renew this Sub-Lease shall lapse and be at an end.

ARTICLE 4
RENT

4.01 RENT

The Sub-Lessee shall pay during the currency of this Sub-Lease to the City, in lawful money of Canada the rent as follows:

A. for the period commencing the 1st day of January, 1995 and ending the 30th day of December, 1999, eight thousand six hundred and thirty four dollars and ninety six cents (\$8,634.96), per annum, payable in advance in monthly installments of seven hundred and nineteen dollars and fifty eight cents (\$719.58).

and;

B. for the term or period commencing the 1st day of January, 1995 and ending the 30th day of December, 1999, an Airport Maintenance Charge, the sum of nine hundred and four dollars and fifty six cents (\$904.56), per annum, payable in advance in monthly installments of seventy five dollars and thirty eight cents (\$75.38).

4.02 PAYMENT OF RENT

The Sub-Lessee shall pay all rent herein reserved at the time and in the manner in this Sub-Lease set forth, without any abatement or deduction whatever.

4.03 INTEREST ON RENT IN DEFAULT

Without waiving any other right of action of the City in the event of default of payment of rent hereunder, in the event that the Sub-Lessee is delinquent after the date above appointed in making the payments required hereunder, the Sub-Lessee shall pay a penalty thereon at the rate of 2 percent per month or any portion of a month, (26.82 percent per annum), retroactive from the date any such amount is due and payable until paid. In order to reflect prevailing interest rates, the City will review and adjust the interest rate from time to time.

4.04 DETERMINATION AND FIXING OF RENT

(1) In this Sub-Lease

"Market Rent" means the highest fixed annual rent estimated in terms of lawful money of Canada, which the said land would bring as vacant land if offered for lease on the open market in Kelowna, British Columbia:

- (a) a reasonable time is permitted to find a willing Sub-Lessee;
- (b) neither the Lessee nor the Sub-Lessee is acting under compulsion;
- (c) both the Lessee and the Sub-Lessee have full knowledge of the purpose for which the said land is or is to be utilized;

(d) the purpose for which the said land is or is to be utilized represents the highest and best use thereof; and

(e) the Sub-Lessee shall be responsible for all costs, expenses, payments and expenditures so as to secure to the Lessee a net rent free and clear from all deductions, abatement or set-off throughout the term.

"Appraiser" means a person who is experienced as an appraiser of real estate and is either established in such business or employed in the Public Service of Canada in such capacity.

"Market Rent Appraisal" means a written opinion of Market Rent obtained from an Appraiser.

(2) Rents to be paid during renewal periods shall be fixed and determined by the City based on Market Rent as determined by a Market Rent Appraisal.

4.05 AIRPORT MAINTENANCE CHARGE

That the airport maintenance charge provided herein will be reviewed by the Lessee after five (5) years from the date hereof, and the said charge may be changed at the beginning of each one (1) year period under the Sub-Lease in accordance with the policies of the Lessee applicable thereto then in effect. In the event that the Sub-Lessee refuses to accept such charge, this Sub-Lease may be cancelled and determined at any time by notice in writing signed by or on behalf of the City of Kelowna, and thereupon, after such written notification, this Sub-Lease shall be determined and ended.

ARTICLE 5
SUB-LEASED LAND, SERVICES AND IMPROVEMENTS

5.01 "AS IS" CONDITION

The Sub-Lessee accepts the said land in an "as is" condition and any improvements made to the said land by the Sub-Lessee at any time during the currency of this Sub-Lease, to make the said land suitable for the operations of the Sub-Lessee hereunder, shall be at the risk, cost and expense of the Sub-Lessee and to the satisfaction of the Lessee.

5.02 ACCESS

- (1) The Lessee, its officers, servants or agents, shall have full and free access for inspection purposes during normal business hours and in the presence of the Sub-Lessee or a representative of the Sub-Lessee to any and every part of the said land and the said building; it being expressly understood and agreed, however, that in cases of emergency, the Lessee, its officers, servants or agents shall at all times and for all purposes have full and free access to the said land.
- (2) Subject as in this Sub-Lease provided, the Sub-Lessee shall have quiet possession of the said land, and the right of ingress and egress over the airport roadways subject to rules and regulations as may be established by the Lessee respecting such use.

5.03 MAINTENANCE OF SUB-LEASED AREA

The Sub-Lessee shall, at the cost and expense of the Sub-Lessee, maintain the landscaping and paved areas on the said land and shall keep the land free of debris and neat and tidy at all times, all to the satisfaction of the Airport Manager.

5.04 ADDITIONAL RIGHTS OF THE SUB-LESSEE

The Lessee reserves the right to grant licenses, rights of way or privileges to others on, over, under, through or across the said land, provided, however, that such rights of way or privileges are not detrimental to the proper conduct of the business or operation of the said building and related services, will not damage or disrupt permanently the physical facilities of the Sub-Lessee, will not impose any cost upon the Sub-Lessee, and will not weaken, diminish or impair the security of this Sub-Lease.

5.05 SERVICES AND UTILITIES

- (1) That except and subject as in this Sub-Lease otherwise specifically provided, services required to serve the said building shall be the responsibility of the Sub-Lessee and the Sub-Lessee shall make and maintain all connections required therefor, all at the cost and expense of the Sub-Lessee and to the satisfaction of the Lessee.
- (2) The Sub-Lessee shall construct improvements on the said land in such manner that the surface drainage water on the said land will be discharged into the Lessee's drainage

system, and plans for the construction of storm drainage services shall be subject to the approval in writing, of the Airport Manager prior to installation of such services, for compatibility with the field drainage channels serving the said land, all at the cost and expense of the Sub-Lessee.

- (3) The Sub-Lessee shall, at the cost and expense of the Sub-Lessee, provide complete and proper arrangements for the adequate sanitary handling and disposal away from the said airport of all trash, garbage and other refuse on or in connection with the Sub-Lessee's operations under this Sub-Lease, all to the satisfaction of the Airport Manager. Piling of crates, cartons, barrels or other similar items shall not be permitted in a public area on the said airport.
- (4) The plans and specifications for installation of all services must be approved by the Airport Manager and the work performed under the supervision of a designated officer of the Airport Manager.

5.06 TEMPORARY SUSPENSION OF SERVICES

Without limiting or restricting the generality of the provisions of Clause 7.01 hereof, the Sub-Lessee shall not have nor make any claim or demand, nor bring any action or suit or petition against the Lessee or any of its officers, servants or agents for any damage which the Sub-Lessee may sustain by reason of any temporary suspension, interruption or discontinuance, in whole or in part from whatever cause arising in service supplied by the Lessee hereunder.

5.07 REASONABLE USE

The Sub-Lessee shall not, during the currency of this Sub-Lease, do, suffer nor permit to be done any act or thing which may impair, damage or injure the said land, the said building or any part thereof, beyond the damage occasioned by reasonable use, and shall, at the cost and expense of the Sub-Lessee, repair and renew in a good, sufficient and workmanlike manner all portions of the said land or the said building which may at any time by the Sub-Lessee be damaged (ordinary wear and tear only excepted) and in the event of the failure on the part of the Sub-Lessee to so repair and renew, the Sub-Lessee shall indemnify and save harmless the Lessee from all damages, costs and expenses suffered or incurred by the Lessee by reason of such impairment, damage or injury to the extent the Sub-Lessee is liable for the same in law, such payment to be made forthwith upon receipt of appropriate accounts therefor.

5.08 NUISANCE

The Sub-Lessee shall not do, suffer or permit to be done any act or thing upon or above the said land or the said building which is or would constitute a nuisance to the occupiers of any lands or premises adjoining or in the vicinity of the said land or the said building or to the public generally.

5.09 ENVIRONMENTAL PROTECTION STATUTES

The Sub-Lessee shall accede to and abide by Federal Environmental Protection Statutes and regulations and by-laws and any regulations thereto and appropriate Provincial, Territorial and/or City of Kelowna or local Environmental Protection Statutes and regulations and by-laws.

5.10 POLICE AND FIRE PROTECTION

The Lessee shall not be responsible for providing fire protection to nor policing of, the said land, the said building and any improvements.

5.11 FIRE PREVENTION

The Sub-Lessee shall, at the expense of the Sub-Lessee, take all precautions to prevent fire from occurring in or about the said land and the said building, and shall observe and comply with all laws and regulations in force respecting fires at the said airport, and with all instructions given from time to time by the Airport Manager with respect to fires and extinguishing of fires.

5.12 ADVERTISING

The Sub-Lessee shall not construct, erect, place or install on the outside of the said building or on the said land any poster, advertising sign or display, electrical or otherwise, without first obtaining the consent, in writing, of the Airport Manager.

5.13 DRAINAGE AND DISCHARGE OF MATERIAL

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

5.14 INTERCEPTORS

If required by the City of Kelowna, grease, oil and sand interceptors shall be provided by the Sub-Lessee. All interceptors shall be of a type and capacity approved by the City and shall be readily accessible for cleaning and inspection. Such interceptors shall be maintained by the Sub-Lessee, at the expense of the Sub-Lessee, in continuous, efficient operation at all times.

5.15 REPAIR OF DAMAGE

If, at any time or times hereafter, any damage or injury (ordinary wear and tear only excepted) should be occasioned to the said land, the said building, or any part thereof, or to any works of the Lessee on the said airport by reason of or on account of the operations of the Sub-Lessee hereunder or any action taken or things done or maintained by virtue thereof, then, and in every such case, the Sub-Lessee shall, within a reasonable time upon notice thereof from the City given in writing, repair, rebuild and restore the same in good, sufficient and workmanlike manner; in the event of failure on the part of the Sub-Lessee to so repair the City may, at its option, repair such damage or injury in which case the Sub-Lessee shall repay and reimburse the Lessee for all costs and expenses connected therewith or incidental thereto to the extent the Sub-Lessee is liable for the same in law plus such additional charge as may be applicable in accordance with the policies of the Lessee for administration and overhead forthwith upon receipt by the Sub-Lessee of appropriate accounts therefore from the Lessee. In the event of failure on the part of the Sub-Lessee to repair such damage or injury and in the event of non repair by the Lessee, the Sub-Lessee shall remain liable to the Lessee for the amount of such damage or injury to the extent the Sub-Lessee is liable therefor in law and payment of such amount shall be made by the Sub-Lessee to the Lessee forthwith, upon receipt by the Sub-Lessee of appropriate accounts therefor from the Lessee.

5.16 ERECTION AND MAINTENANCE OF BUILDINGS OR STRUCTURES

- (1) The Sub-Lessee shall not construct or erect any building or other structures on the said land without first obtaining the written approval of the City of Kelowna, of plans showing the design and nature of construction of such building or structures and their proposed location, and all such buildings or structures shall be constructed and thereafter maintained by and at the cost and expense of the Sub-Lessee to the satisfaction of the Airport Manager.
- (2) If, at any time during the term of this Sub-Lease, the Sub-Lessee defaults in its obligation of maintaining the said land and the said building, structures and improvements, and every of them, in accordance with the requirements of this Sub-Lease, the Airport Manager may give written notice, specifying the respect in which such maintenance is deficient, to the Sub-Lessee. If, within fifteen (15) days from the giving of such notice the default specified in such notice has not been remedied or (if the nature of such default reasonably requires more than fifteen (15) days to remedy and make right) the Sub-Lessee has not commenced, or, having commenced, is not diligently completing the remedying of such default, or if such maintenance is not of a type satisfactory to the Airport Manager, the Lessee may enter upon the said land and the said building, structures and improvements and perform such maintenance, at the cost and expense of the Sub-Lessee, plus such additional charge as may then be applicable, in accordance with the policies of the Lessee for administration and overhead; it being expressly understood and agreed that the Lessee shall not be under any obligation to perform any maintenance during the term of this Sub-Lease.

5.17 VESTING OF REPAIRS, ALTERATIONS, IMPROVEMENTS OR REPLACEMENTS

Any repairs, alterations, improvements or replacements made by the Sub-Lessee to or upon the said land and the said building which by their nature are determined to be fixtures shall upon termination of this Sub-Lease, except and subject as in this Sub-Lease otherwise specifically provided, be vested in title in the Lessee without any payment of compensation to the Sub-Lessee in respect of the repairs, alterations, improvements or replacements; nevertheless the Lessee shall have the option of requiring or compelling the Sub-Lessee upon written notice, to remove such repairs, alterations, improvements or replacements, and the Sub-Lessee shall be so bound to remove and shall restore the said land to its original condition all at the cost and expense of the Sub-Lessee and without any right on the part of the Sub-Lessee to seek compensation for any reason whatsoever.

5.18 PAYMENT OF TAXES

- (1) The Sub-Lessee shall pay or cause to be paid all rates, taxes and assessments, of whatsoever description, that may at any time during the existence of this Sub-Lease be lawfully imposed, and become due and payable, upon, or in respect of the said land, the said building, or any part thereof.
- (2) The Sub-Lessee shall pay any business tax, value added tax, multi-stage sales tax, sales tax, goods and services tax or any other tax lawfully imposed on any rent receivable by the Lessee hereunder by any governmental or other taxing authority having jurisdiction, whether known as business transfer tax, value added tax, goods and services tax, or by any other name.

5.19 COMPLIANCE WITH REGULATIONS

- (1) That the Sub-Lessee shall in all respects comply with all laws, rules and regulations of the Federal Government, Provincial Government and all by-laws and regulations of the Lessee and any other governing body whatsoever and shall comply with all local police, health, or fire regulations or by-laws, in any manner affecting the business of the Sub-Lessee, the said land, the said building and the operations of the Sub-Lessee hereunder. In agreeing to comply with all by-laws and regulations of the Lessee the Sub-Lessee does so voluntarily as a matter of commercial expedience, without protest, without any demand by the Lessee and without qualification by any condition. Further the Sub-Lessee agrees that compliance with all by-laws and regulations of the Lessee is a fundamental term of this agreement and that any breach of this term entitles the Lessee to terminate this agreement.
- (2) That the Sub-Lessee shall abide by and comply with all regulations regarding traffic control, airport security, sanitation and all other regulations relative to the management and operation of the said Airport.

5.20 DEFECT OF TITLE

That it is an express condition of this Sub-Lease that the Sub-Lessee shall not have any recourse against the Lessee should the Lessee's title to the said land be found to be defective, or should these Presents prove ineffectual by reason of any defect in such title.

5.21 DESCRIPTION OF FACILITIES AND BUILDING

- (1) The Sub-Lessee covenants and agrees with the Lessee within a reasonable time after the grant of this Sub-Lease to commence the construction of and complete a metal clad aircraft hangar and associated aircraft and vehicle parking facilities expeditiously and in good and workmanlike manner and in accordance with the detail plans and provisions of this Clause and in particular:
 - (a) to cause the facilities and building to be substantially completed, in accordance with sub-clause (2) of this Clause not later than the 30th day of June 1995; but subject to extensions of time granted pursuant to sub-clause (3) of this Clause;
 - (b) to cause the facilities and building to be fully completed and in accordance with all the provisions of this Sub-Lease expeditiously thereafter (save for delays beyond the reasonable control of the Sub-Lessee).
- (2) (a) For the purposes of this Clause the facilities, buildings and improvements shall be deemed to have been substantially completed when the Airport Manager has determined to his satisfaction that:
 - (i) all work of a structural nature has been properly completed;
 - (ii) all facility, building equipment and services, including elevators (if any), heating and air conditioning systems and utilities, have been completed and are operating properly and available for use by the occupants of the building and facilities; all lobbies, stairwells and other areas intended for the common use of occupants of the building and facilities are completed except for work of a decorative or superficial nature, which is both minor in character and of a type which, owing to the likelihood of damage, is reasonably to be deferred until the building and facilities are partially or substantially occupied;
 - (iii) all building space is completed for occupancy except for work of a superficial nature which is dependent upon the individual Sub-Lessee's requirements as yet unascertained (such as painting and the installation of lighting fixtures, dividing partitions and tenant's fixtures) and work which is reasonably and customarily allocated to the Sub-Lessee's to complete;
 - (iv) all areas are clean and all surplus building material and rubbish removed;

- (v) the building and facilities generally are in a condition in which they can be occupied and any work that is still unfinished is such as can be completed promptly and is work to whose incompletion a reasonable Sub-Lessee would not object; and
 - (vi) the building and facilities shall have been completed in all respects in a good and workmanlike manner in accordance with the detail plans except for any requirements of the detail plans which have been waived or varied by the Lessee in writing and for faults and defects which, in the opinion of the Lessee, are minor and the correction of which is adequately assured.
- (b) For the purpose of this Sub-Lease the date of completion of the building and facilities shall be the date upon which all of the following conditions shall have been fulfilled:
- (i) the building and facilities shall have been substantially completed to the satisfaction of the Lessee pursuant to paragraph (a) of this subclause;
 - (ii) this Sub-Lease shall not have been terminated and there shall be no existing material breach by a Sub-Lessee of any obligation under this Sub-Lease; and
 - (iii) there shall be no claims outstanding in respect of the construction of the facilities save for claims for completion payments by contractors not exceeding any amounts which the Sub-Lessee may reasonably retain to ensure the correction of deficiencies in the construction of the building and facilities and completion of such part or parts of such construction the completion of which has been deferred by reason of weather condition, or which the Lessee is required or permitted to retain under the provisions of this Sub-Lease; and except for amounts required or permitted to be so retained, all accounts for work and materials shall have been paid; and no building fixtures, or equipment on the lands (save for usual tenant's fixtures normally removable by Sub-Lessee's and to which the Sub-Lessee does not have title and any fixtures not forming part of the structure of the building or any building services) shall be subject to any conditional sale agreement or to any lien, encumbrance or claim not expressly permitted by this paragraph.

For the purpose of establishing the completion date the Lessee (but not the Sub-Lessee) shall have the right to waive any of the conditions set out in this paragraph (b) in whole or in part, but no such waiver of the conditions or of any of the foregoing provisions shall relieve the Sub-Lessee of its obligations to perform its covenants hereunder.

(3) If the Sub-Lessee:

- (a) from and after the date of commencement of the term of this Sub-Lease proceeded with due diligence to construct the building in accordance with the provisions of this Sub-Lease and is not in default in payment of rent or the performance of the obligations of this Sub-Lease; and
- (b) has been delayed in constructing the building by reason of strikes, lockouts, governmental restrictions, Acts of God, unavailability of material and labour and similar causes, all being beyond the control of the Sub-Lessee, and the delays are such as to render it unlikely or uncertain that the building will be substantially completed by the date specified in paragraph (1)(a) of this Clause; and
- (c) has used all reasonable diligence to overcome such delays and proceeded with the construction of the building to the extent possible, then the Sub-Lessee may at any time before the date of completion of the building apply to the Lessee for and obtain by way of duly executed supplemental agreement to Sub-Lease, an extension of the time for compliance with paragraph (1)(a) of this Clause by a period, not longer than the length of the delay imposed by the causes beyond the Sub-Lessee's control, which will reasonably be required for the Sub-Lessee substantially to complete the said building and facilities with reasonable diligence, such application to be accompanied by a statement, signed by the Sub-Lessee certifying:
 - (i) the length of time required for the substantial completion of the building with reasonable diligence;
 - (ii) the length of the delay imposed by causes beyond the Sub-Lessee's control;
 - (iii) that these causes were beyond the Sub-Lessee's control; and
 - (iv) that the delay will be likely to prevent compliance with the paragraph (1)(a) of this Clause by the date specified therein notwithstanding exercise of reasonable diligence by the Sub-Lessee, and in such event the Lessee shall grant to the Sub-Lessee an extension of the time specified in paragraph (1)(a) of this Clause, equal to the shorter of the two lengths of time referred to in items (i) and (ii) above, and shall from time to time grant further extensions of the date for completion if application is made during the currency of any extension already granted and is accompanied by a like certificate of the Sub-Lessee, provided always that in no event shall the Sub-Lessee be entitled to an extension beyond the date upon which the second year of the Sub-Lease extension expires.

- (4) The Sub-Lessee shall obtain, before the commencement of construction of the said building and facilities, the Lessee's approval in writing, of the detail plans, including without limiting the generality of the foregoing, the drawings, elevations, specifications, (including materials to be used) location on the Sub-Leased lands and cost estimates and phasing or construction time schedule for the building and facilities, all access points for construction purposes, all proposed vehicular and pedestrian entrances and exits to and from the Sub-Leased lands and all boardings required to be erected.

5.22 ENFORCEMENT

Notwithstanding the provisions of 9.01 any failure by the Sub-Lessee to comply with the specific obligations of the Sub-Lessee to construct and to complete construction of the building and facilities, as set out in 5.21 of the Sub-Lease herein, shall constitute a breach of the conditions of this Sub-Lease and shall be subject to the cancellation of this Sub-Lease without any right on the part of the Sub-Lessee to seek compensation.

In the event of non-compliance with any of the specific obligations of the Sub-Lessee to construct and complete construction of the building and facilities herein then, and in every such case, provided reasonable steps have not been taken to cure any such breach within thirty (30) days from the date of notice in writing or such other notice as may be specified thereof from the Lessee to the Sub-Lessee and signed by or on behalf of the Lessee, the Lessee may terminate this Sub-Lease by giving the Sub-Lessee thirty (30) days written notice of its intention to terminate signed by or on behalf of the Lessee, during which time the Sub-Lessee will no longer be permitted to cure the breach or non-observance; and thereupon after the expiration of such period of notification this Sub-Lease shall be determined and ended without any further notice or delay.

The Lessee shall have the option of requiring or compelling the Sub-Lessee, upon written notice, to remove such buildings, facilities and structures, and the Sub-Lessee shall be so bound to remove and shall restore the said land and said building to its original condition at its own cost and expense and without any right on the part of the Sub-Lessee to seek compensation for any reason whatsoever.

**ARTICLE 6
ASSIGNMENT**

The Sub-Lessee shall not make any assignment of this Sub-Lease, nor any transfer or sub-lease of the whole or any portion of the said land demised or sub-leased hereunder, without obtaining the prior consent in writing of the City of Kelowna to such assignment, transfer or sub-lease, such consent not to be unreasonably withheld.

ARTICLE 7
LIABILITY AND INDEMNITY

7.01 CLAIM OR DEMAND

The Sub-Lessee shall not have any claim or demand against the City and/or any of its officers, servants or agents for detriment, damage, accident or injury, of any nature whatsoever or howsoever caused to the Sub-Leased land, or to any person or property, unless such damage or injury is due to the negligence of the City and/or any of its officers, servants or agents while acting within the scope of his/her duties or employment.

7.02 INDEMNITY

That the Sub-Lessee shall at all times indemnify and save harmless the Lessor, the Lessee and/or any of its officers, servants or agents from and against all claims and demands, loss, costs, damages, actions, suits or other proceedings by whomsoever made, brought or prosecuted, in any manner based upon, occasioned by or attributable to the execution of these Presents, or any action taken or things done or maintained by virtue hereof, or the exercise in any manner of rights arising hereunder, except claims for damage resulting from the negligence of the City and/or any of its officers, servants or agents while acting within the scope of his/her duties or employment.

**ARTICLE 8
INSURANCE**

- (1) The Sub-Lessee shall place and at all times maintain during the currency of this Sub-Lease public liability and property damage insurance in an amount not less than TWO MILLION DOLLARS (2,000,000.00) against claims for personal injury, death or loss or damage to property arising out of any of the operations of the Sub-Lessee under this Sub-Lease, or of the acts or omissions of the Sub-Lessee or any of his agents, employees or servants; such insurance shall be with a company or companies acceptable to the Lessee and all policies for such insurance shall be in an amount and in a form satisfactory to the Lessee.
- (2) The Sub-Lessee shall place and at all times maintain during the currency of this Sub-Lease, insurance against fire with respect to the said building or other structures constructed on the said land by the Sub-Lessee to provide for full replacement value of such buildings or other structures.
- (3) The City of Kelowna is to be named insured on all policies and the Sub-Lessee shall submit such policy or policies or certified copies thereof and any renewals thereof to the City of Kelowna for review and approval together with proof of payment of the premiums therefor.
- (4) The Sub-Lessee shall not do or omit to do or suffer anything to be done or omitted to be done on the said land which will in any way impair or invalidate such policy or policies. Every policy shall contain a provision that written notice of cancellation shall be given to the City of Kelowna.
- (5) The "deductible" for any insurance policy under the section shall not exceed FIVE THOUSAND DOLLARS (\$5,000.00) per claim.

ARTICLE 9
DEFAULT AND RE-ENTRY

9.01 DEFAULT AND RE-ENTRY

- (1) It is expressly agreed that:
- (a) if the Sub-Lessee shall be in default in the payment of rent or amounts collectable hereunder as rent, whether lawfully demanded or not, and such default shall continue for a period of 15 days after the rent has become due and payable; or
 - (b) if the Sub-Lessee shall be in default of any of its covenants or agreements hereunder (other than its covenant to pay rent or amounts collectable hereunder as rent) and such default shall continue for a period of 30 days (or such longer period as may be reasonably necessary to cure such default considering the nature thereof) after notice by the Lessee to the Sub-Lessee specifying with reasonable particularity the nature of such default and requiring the same to be remedied; or
 - (c) if the default set out in the notice given to the Sub-Lessee by the Lessee pursuant to paragraph (b) reasonably requires more time to cure than the thirty (30) day period referred to in that paragraph and the Sub-Lessee has not commenced remedying or curing the same within the thirty (30) day period or; in the opinion of the Lessee fails to diligently complete the same within a reasonable time; or
 - (d) if the Sub-Lessee shall make an assignment for the benefit of creditors, or shall make an assignment or have a receiving order made against it under the Bankruptcy Act, or becoming bankrupt or insolvent shall make application for relief under the provisions of any statute now or hereafter in force concerning bankrupt or insolvent debtors, or any action whatsoever, legislative or otherwise shall be taken with a view to the winding-up, dissolution or liquidation of the Sub-Lessee;

then the current month's rent together with the rent for the three months next ensuing shall immediately become due and payable, and at the option of the Lessee the term hereby granted shall become forfeited and void, and the Lessee may without notice or any form of legal process whatsoever forthwith re-enter upon the said land, the said building or any part thereof in the name of the whole and repossess and enjoy the same as of its former estate, anything contained in any statute or law to the contrary notwithstanding.

- (2) Forfeiture of this Sub-Lease by the Sub-Lessee shall be wholly without prejudice to the right of the Lessee to recover arrears of rent or damages for any antecedent breach of covenant on the part of the Sub-Lessee, and notwithstanding any such forfeiture the Lessee may subsequently recover from the Sub-Lessee damages for loss of rent suffered by reason of the Sub-Lease having been determined prior to the end of the term of this Sub-Lease as set out herein and this clause and the rights hereunder shall survive the termination of this Sub-Lease whether by act of the parties or by operation of law.

9.02 LIEN

The Lessee shall have a lien upon the chattels, goods, supplies, articles, equipment, materials, effects or things of the Sub-Lessee for any loss or damage arising by reason of the breach of any of the conditions or provisions hereof, or the failure on the part of the Sub-Lessee to comply therewith.

9.03 BANKRUPTCY

That, notwithstanding anything in this Sub-Lease contained, if the Sub-Lessee becomes bankrupt or insolvent or makes an assignment for the benefit of the Sub-Lessee's creditors, or takes the benefit of any winding up or insolvency act, then, in each and any of such cases this Sub-Lease shall be and become by any of such acts, absolutely forfeited and terminated, and the Lessee shall be entitled to take the steps in such cases provided.

**ARTICLE 10
GENERAL**

10.01 BRIBES

The Sub-Lessee hereby confirms that it has not, nor has any person on its behalf, given, promised or offered to any official or employee of the Lessee for or with a view to obtaining this Sub-Lease any bribe, gift or other inducement and that it has not, nor has any person on its behalf, employed any person to solicit or secure this Sub-Lease upon any agreement for a commission, percentage, brokerage or contingent fee.

10.02 MEMBERS OF THE HOUSE OF COMMONS

No Member of the House of Commons of Canada shall be admitted to any share or part of this Sub-Lease, or to any benefit to arise therefrom.

10.03 HEADINGS

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

10.04 DIFFERENCES

All matters of difference arising between the Lessee and the Sub-Lessee in any matter connected with or arising out of this Sub-Lease whether as to interpretation or otherwise, shall be determined by the Lessee but without prejudice to any recourse available under law.

10.05 EFFECT OF SUB-LEASE

This Sub-Lease and everything herein contained shall enure to the benefit of and be binding upon the successors and assigns, as the case may be, of each of the parties hereto, subject to granting of consent by the Lessee as provided herein to any assignment, transfer or sublease of this Sub-Lease, and where there is a male, female or corporate party, the provisions hereof shall be read with all grammatical changes to gender and number required by the context, and all covenants and obligations shall be deemed joint and several.

10.06 PROVISIONS SEPARATELY VALID

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

10.07 WAIVER NEGATED

The failure by the Lessee or its authorized representative, as the case may be, to require the fulfillment of the obligations, or to exercise any rights herein contained shall not constitute a waiver, a renunciation or a surrender of those obligations or rights.

10.08 NO IMPLIED OBLIGATIONS

No implied terms or obligations of any kind by or on behalf of the Lessee shall arise from anything in this Sub-Lease and the express covenants and agreements herein contained and made by the Lessee are the only covenants and agreements upon which any rights against the Lessee may be founded.

10.09 ENTIRE AGREEMENT

This Sub-Lease shall be deemed to constitute the entire agreement between the Lessee and the Sub-Lessee hereto with respect to the subject matter hereof and shall supersede all previous negotiations, representations, and documents in relation hereto made by any party to this Sub-Lease.

ARTICLE 11
NOTICES

- (1) Whenever in this Sub-Lease, it is required or permitted that notice or demand be given or served by either party of this Sub-Lease to or on the other, such notice or demand will be in writing and will be validly given or sufficiently communicated if forwarded by registered mail, priority post mail, telegram, telex, or facsimile as follows:

To the City: City Clerk
 City of Kelowna
 1435 Water Street
 Kelowna, B.C.
 V1Y 1J4
 Telephone: (604) 862-3308
 Fax: (604) 862-3399

To the Sub-Lessee: Northern Air Support Ltd.
 1695B Powick Road
 Kelowna, B.C.
 V1X 4L1
 Telephone: (604) 861-8676
 Fax: (604) 861-3649

- (2) Such addresses or facsimile numbers may be changed from time to time by either party giving notice as above provided.
- (3) If any question arises as to whether any notice was or was not communicated by one party to the other, it shall be deemed to have been effectively communicated or given on the day received or on the fifth day after it was mailed or sent, whichever is the earlier.

**ARTICLE 12
HEAD LEASE**

12.01 HEAD LEASE COVENANT

The Sub-Lessee hereby covenants that they will perform and observe all the covenants on the part of the City under the provisions of the Head Lease other than the covenant to pay rent thereunder and other than covenants relating to the premises other than these sub-premises, and will keep the City indemnified against all actions, expenses, claims and demands in respect of such covenants except as aforesaid.

12.02 HEAD LEASE TERMINATION

Upon the termination of the Head Lease for whatsoever reason and provided that each of the following conditions exist:

- (1) the termination of the Head Lease is not in any manner disputed;
- (2) the City has yielded up vacant possession to the Lessor (the Department of Transport) of the Lease area;
- (3) the Sub-Leases immediately preceding the termination of the Head Lease are in full force and effect and the Sub-Lessees at the termination of the Head Lease were not, or are not, in default or breach of their respective Sub-Leases;
- (4) the Lessor is not legally prohibited by reason of defect in title, adverse possession, or otherwise from fulfilling the terms of any of the Sub-Leases;

the Sub-Leases then in full force and effect shall be deemed to have been assigned to the Lessor, thereby creating a new Lessor/Lessee relationship under the terms and conditions of the respective Sub-Leases as the case may be; provided, however, that the Lessor reserves the option to amend the new Lease therein created from time to time in accordance with policy or policies in effect at that time.

ARTICLE 13
PERSONAL GUARANTEE

The Guarantor joins in this agreement for valuable consideration and as an inducement to the Lessee agreeing to enter into this Sub-Lease. The Guarantor hereby covenants and agrees to guarantee full performance and observance of all of the terms of this agreement including, without restriction, the payment of rent, without requiring any notice of non-performance, non-payment or non-observance, the receipt of which notices the Guarantor hereby expressly waives. The liability of the Guarantor hereunder shall not be released, limited or affected in any way by reason of the assertion by the Lessee of its rights under the Sub-Lease or any forbearance, extension of time or other modification of the Sub-Lease agreed to by the Lessee and the Sub-Lessee. The Guarantor further agrees that this guarantee shall remain in full force and effect during the full term of this Sub-Lease and any renewals, modifications or extensions thereof and during any period that the Sub-Lessee may be a tenant at will.

IN WITNESS WHEREOF the parties hereto have executed these presents the day and year first above written.

SIGNED, SEALED AND DELIVERED by the City of Kelowna in the presence of:

[Signature]
Mayor

[Signature]
City Clerk

Corporate Seal

SIGNED, SEALED AND DELIVERED by the Sub-Lessee in the presence of:

[Signature]
Sub-Lessee

Sub-Lessee

Corporate Seal

SIGNED, SEALED AND DELIVERED by the Guarantor in the presence of:

[Signature]
Witness Signature

PAUL MITCHELL
BARRISTER & SOLICITOR
#301 - 1665 ELLIS STREET
KELOWNA, B.C. V1Y 2B3
Witness NE 782-2108

[Signature]
Guarantor

Address

City/Town

Occupation

**REFERENCE PLAN OF PART OF LOT
PLAN 11796, D.L. 32 & SEC. 14,
TP. 23, O. D. Y. D.**

PURSUANT TO SEC. 99(1)(K) LTA
FOR LEASEHOLD PURPOSES

B.C.G.S. No. 82 L 094

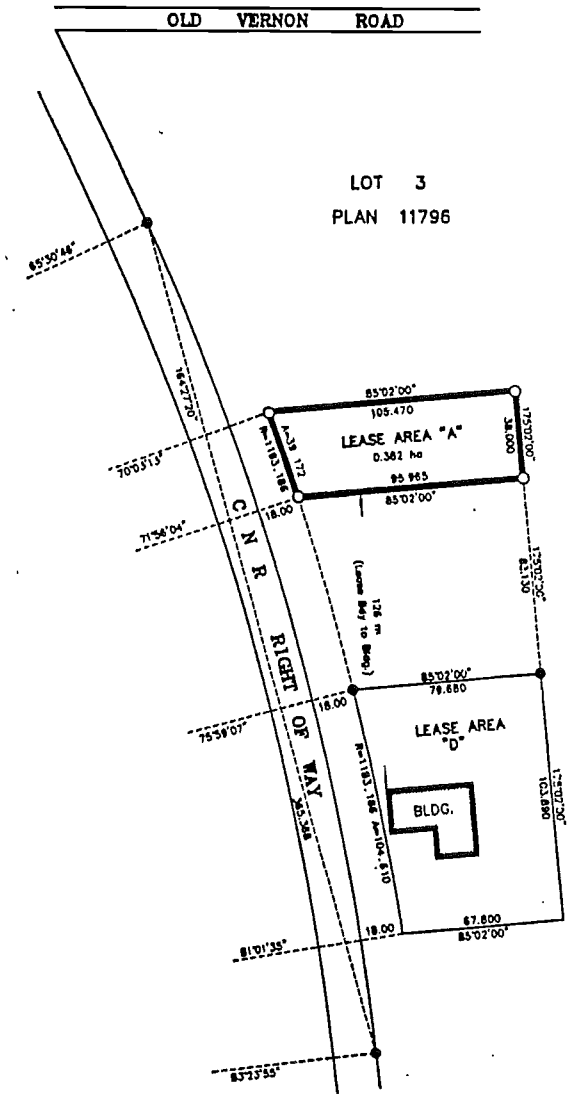


SCALE 1:2000 (All distances are in metres)

LEGEND

Bearings are Astronomic and are derived from PLAN 11796

- - denotes standard iron post found
- - denotes standard iron post set



I, R.R. Runnalls, a British Columbia land surveyor, of the City of Kelowna, in British Columbia, certify that I was present at and personally supervised the survey represented by this plan, and that the survey and plan are correct. The survey was completed on the 23rd day of November, 1994.

R.R. Runnalls
R.R. RUNNALLS B.C.L.S.

**R. R. RUNNALLS & ASSOCIATES
B. C. LAND SURVEYORS**

No. 2 - 1470 WATER STREET KELOWNA, B. C.,
V1Y 1J5 PH 763 7322

DWG. No.: 9732LSE.DWG

FILE: 9732

This plan lies within the Regional District of Central Okanagan.

November 28, 2000

File: 2380-20-8083

VIA COURIER

Ms. Winnie Romer
Lease Administration Clerk
Transport Canada – Programs Branch
#620 – 800 Burrard Street
Vancouver, BC V6Z 2J8

Dear Ms. Romer:

**RE: NORTHERN AIR SUPPORT LTD. DISCHARGE OF MORTGAGE TO SUB-LEASE
- KELOWNA INTERNATIONAL AIRPORT**

As requested in your letter dated November 28, 2000, enclosed is the original copy of the Northern Air Support Ltd./Dia Met Minerals Ltd. Acknowledgement of Release and Discharge of the Mortgage of Sub-Lease bearing the number 146822 in your records.

Yours truly,

ORIGINAL SIGNED BY

R. SELICK

R. Sellick
Airport General Manager

/jmj
Enclosure

Acknowledgement of Release and Discharge of Mortgage of Sublease

To: Transport Canada

WHEREAS:

- A. By a lease dated December 19, 1979 and referred to as lease no. 109806 (Pacific 1375) in the records of Transport Canada (the "Lease"), Her Majesty the Queen in Right of Canada, represented therein by the Minister of Transport, granted to The City of Kelowna, all and singular those certain parcels of land situate, lying and being in the Province of British Columbia, Osoyoos Division, Yale District, consisting of Lot 3 - Registered Plan 11796, District Lot 120 - Plan 1929, Lot 7 - Registered Plan 1502, comprising all of the Kelowna Airport and being more particularly shown on Drawing No. P131P007NO26, dated June 1, 1978, together with buildings and facilities as listed in the Index to Buildings and shown on Drawing No. P131P007NO26, dated June 1, 1978, thereto annexed, together with the lessor's equipment as enumerated in the Schedule annexed thereto marked "A";
- B. The Lease was renewed and amended by agreements dated November 8, 1983, January 15, 1985, October 31, 1986, January 19, 1990, November 29, 1990, May 26, 1994, June 14, 1994 and February 16, 1996;
- C. By a sublease dated December 16, 1994 and bearing no. 144676 in the records of Transport Canada (the "Sublease"), the City of Kelowna subleased to Northern Air Support Ltd. a portion of the lands covered by the Lease; and
- D. By a mortgage of sublease dated March 8, 1996 and bearing no. 146882 in the records of Transport Canada (the "Mortgage of Sublease"), Northern Air Support Ltd. granted a mortgage of the Sublease in favour of Dia Met Minerals Ltd.. The Minister of Transport and the City of Kelowna each consented to the Mortgage of Sublease.

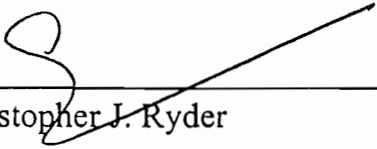
Dia Met Minerals Ltd. hereby:

1. Confirms that it no longer has any interest in the Mortgage of Sublease and that it has released and discharged Northern Air Support Ltd. from any obligations thereunder; and

2. Requests that Transport Canada take whatever steps may be necessary or appropriate to record that the Mortgage of Sublease has been released and discharged.

Dated: November 8th, 2000.

DIA MET MINERALS LTD.



Christopher J. Ryder
Secretary



NO. - N° 146822

CONSENT TO A SUB-SUBLEASE BY WAY OF MORTGAGE

BETWEEN

NORTHERN AIR SUPPORT LTD.

AND

DIA MET MINERALS LTD.

Date of Sub-Sublease By Way of Mortgage	March 8, 1996
Public Work Concerned	Kelowna Airport
Description	Sub-Sublease By Way of Mortgage of Sublease No. 144676 dated December 16, 1994, being sublease of a portion of Lease No. 109806.

Date of Consent *11th* October 1996

146822

DEPT'L REFERENCE - RÉFÉRENCE DU MINISTÈRE
FILE NO. - N° DU DOSSIER TKC5156-P131-050

MEMORANDA - NOTES

TO WHOM IT MAY CONCERN

WHEREAS:

- (a) Pursuant to Lease No. 109806 (PACIFIC 1375) dated the nineteenth day of December, 1979, (hereinafter called "Lease") Her Majesty the Queen in right of Canada, represented therein by the Minister of Transport, granted to The City of Kelowna, all and singular those certain parcels of land situate, lying and being in the Province of British Columbia, Osoyoos Division, Yale District, consisting of Lot 3 - Registered Plan 11796, District Lot 120 - Plan 1929, Lot 7 - Registered Plan 1502, comprising all of the Kelowna Airport and being more particularly shown on Drawing No. P131P007N026, dated June 1, 1978, together with buildings and facilities as listed in the Index to Buildings and shown on Drawing No. P131P007N026, dated June 1, 1978, thereto annexed. Together with the Lessor's equipment as enumerated in the Schedule annexed thereto marked "A";
- (b) the Lease was further renewed and amended by agreements supplemental thereto dated November 8, 1983, January 15, 1985, October 31, 1986, January 19, 1990, November 29, 1990, May 26, 1994, June 14, 1994 and February 16, 1996, respectively, all of which will by reference thereto at length and more fully appear;
- (c) a portion of the lands and premises having ultimately been sublet to Northern Air Support Ltd. by way of a Sublease dated December 16, 1994, bearing No. 144676, in the records of the Department of Transport, (hereinafter called the "Sublease"),

NOW THEREFOR, the Minister of Transport, hereby **CONSENTS** to the Sub-Sublease By Way of Mortgage dated the 8th day of March, 1996, annexed hereto marked "A" made between:

NORTHERN AIR SUPPORT LTD.

"TENANT"

- and -

DIA MET MINERALS LTD.

"LENDER"

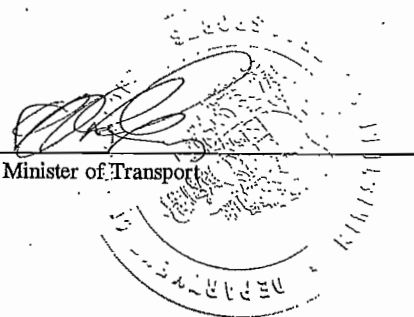
(hereinafter called "Sub-Sublease"), **IN SO FAR ONLY** as the terms of the Sub-Sublease are within the terms of the Lease.

BY SUCH CONSENT, HOWEVER, Her Majesty the Queen in right of Canada shall not waive or be deemed to have waived compliance and observance on the part of The City of Kelowna, its heirs, executors, administrators, successors and assigns, of the covenants, conditions and reservations in the Lease to be complied with, observed and performed on their or any of their parts, nor to have waived, impaired or restricted in any way whatsoever any of the rights or remedies of Her Majesty the Queen in respect of the Lease or the property or rights thereby leased or to have approved of the form or any of the terms of the Sub-Sublease.

It is hereby expressly declared that the sole object, purport and effect of this Consent is merely to meet the requirements of clause four of the Lease, and no action shall be taken or things done or maintained, under, by virtue of, or in connection with the Sub-Sublease that may prejudice, impair or affect in any way whatsoever any of the rights or remedies of Her Majesty the Queen in Right of Canada.

DATED AT VANCOUVER, B.C., this 18th day of October One Thousand Nine Hundred and Ninety-Six.

for Minister of Transport



CONSENT

COPY

THIS AGREEMENT made the 15th day of July, 1996.

BETWEEN:

NORTHERN AIR SUPPORT LTD. (Inc. No. A-38978)
6285 Kelowna Airport, Kelowna, BC V1V 1S1

(the "Sub-Tenant")

OF THE FIRST PART

AND:

DAVID ECCOTT, Businessman
6285 Kelowna Airport, Kelowna, BC V1V 1S1

(the "Guarantor")

OF THE SECOND PART

AND:

DIA MET MINERALS LTD.
1695 Powick Road, Kelowna, BC V1X 4L1

(the "Lender")

OF THE THIRD PART

AND:

CITY OF KELOWNA, a municipal corporation
1435 Water Street, Kelowna, BC V1Y 1J4

(the "Sub-Landlord")

OF THE FOURTH PART

WHEREAS:

A. Her Majesty the Queen in right of Canada, as represented by the Minister of Transport has leased to the City of Kelowna, in the Province of British Columbia the following lands by virtue of a lease described as follows:

Lease No. 109806 (Pacific 1375) dated the 19th day of December, 1979 (the "Lease") in which Her Majesty the Queen in right of Canada, represented therein by the Minister of Transport, granted to the City of Kelowna, in the Province of British Columbia, all and singular those certain parcels of land situate, lying and being in the Province of British Columbia, Osoyoos Division, Yale District, consisting of Lot 3 - Registered Plan 11796, District Lot 120 - Plan 1929, Lot 7 - Registered Plan 1502, comprising all of the Kelowna Airport and being more particularly shown on Drawing No. P131P007N026, dated June 1, 1978, together with buildings and facilities as listed in the Index to Buildings and shown on Drawing No. P131P007N026, dated June 1, 1978, thereto annexed. Together with the Lessor's equipment as enumerated in the Schedule annexed thereto marked "A", and which Lease was renewed and amended by agreements supplemental thereto dated November 8, 1983, January 15, 1985, October 31, 1986, January 19, 1990, November 29, 1990, May 26, 1994, June 14, 1994 and February 16, 1996, respectively, all of which will by reference thereto at length and more fully appear;

B. The City of Kelowna (as "Sub-Landlord") has leased to Northern Air Support Ltd. (the "Sub-Tenant") the following lands by virtue of a sub-lease described as follows:

Sub-Lease No. 144676 dated December 16, 1994 of a portion of Lease No. 109806 (Pacific 1375) dated December 19, 1979 being all and singular that certain parcel of land situate, lying and being in the Kelowna Airport at or in the vicinity of the City of Kelowna, in the Province of British Columbia; the said land comprising an area of 41,119 square feet, more or less, and being more particularly shown on Drawing No. 9732LSE.DWG dated the 23rd day of November, 1994 prepared by R.R. Runnalls & Associates, B.C. Land Surveyors annexed to the Sub-Lease, all of which will by reference thereto at length and more fully appear, and being particularly shown outlined in bold and described as Lease Area "A" on Reference Plan of Part of Lot 3, Plan 11796, DL. 32 and Sec.14, Tp. 23, ODYD. on the plan annexed hereto as Schedule "B";

for the term commencing on the 1st day of January, 1995 for a period of five years, less a day, up to and including December 30, 1999 and then to be complete and ended, subject to the rents, covenants and conditions therein contained (the "Sub-Lease").

C. David Eccott as Guarantor has guaranteed all of the obligations of the Sub-Tenant pursuant to the terms of the Sub-Lease;

D. The Sub-Tenant has granted certain security to Dia Met Minerals Ltd., 1695 Powick Road, in the City of Kelowna, in the Province of British Columbia, (the "Lender"), including, inter alia, a Mortgage of the Sub-Lease securing the principal amount of \$1,816,221.00, copies of the first three pages of which are attached hereto as Schedule "A" (the "Mortgage of Sub-Lease");

E. The Sub-Tenant, the Lender and the Guarantor have requested that the Sub-Landlord consent to the granting of the Mortgage of Sub-Lease.

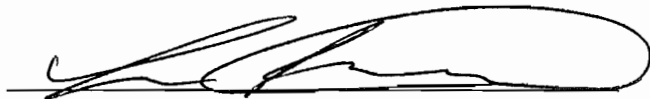
In consideration of the premises and other good and valuable consideration:

1. The Sub-Landlord does hereby consent to the granting of the Mortgage of Sub-Lease to the extent only that the Mortgage of Sub-Lease is within the terms of the Sub-Lease.
2. In granting this consent the Sub-Landlord shall not be deemed to have waived compliance and observance on the part of the Sub-Tenant or the Guarantor and their respective executors, administrators, successors and assigns of any of the covenants, conditions and reservations in the Sub-Lease to be complied with, observed and performed, nor to have waived, impaired or restricted in any way whatsoever any of the rights or remedies of the Sub-Landlord in respect of the Sub-Lease or the property or rights thereby sub-leased or to have approved of the form or any of the terms of the Mortgage of Sub-Lease except in so far as such terms are within the terms of the Sub-Lease. The Sub-Tenant and the Guarantor do hereby expressly acknowledge and agree that the granting of this consent, as requested by the Sub-Tenant, the Lender and the Guarantor, shall not constitute a waiver of nor modify or in any way affect the obligations of the Sub-Tenant and the Guarantor and the rights and remedies of the Sub-Landlord in respect of the Sub-Lease, all of which obligations, rights and remedies remain in full force and effect.

3. In granting this consent it is agreed that the Sub-Landlord assumes no legal obligation whatsoever to the Lender, the sole object, purport and effect of this consent being merely to comply with the request of the Lender, Sub-Tenant and Guarantor for consent and that no action shall be taken or anything done or maintained under, by virtue of or in connection with the Mortgage of Sub-Lease that may prejudice, impair or affect in any way whatsoever any of the rights or remedies of the Sub-Landlord.

Dated this 15th day of July, 1996.

the Sub-Tenant:
NORTHERN AIR SUPPORT LTD.
by its authorized signatories



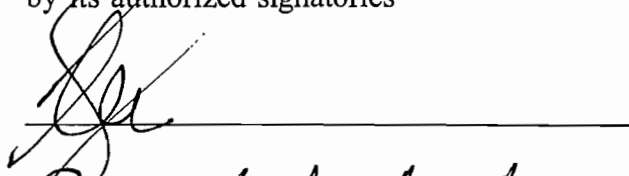
Authorized Signatory Northern Air Support Ltd.

the Guarantor:



DAVID ECCOTT

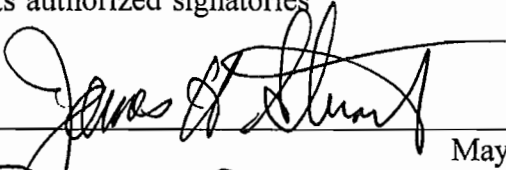
the Lender:
DIA MET MINERALS LTD.
by its authorized signatories

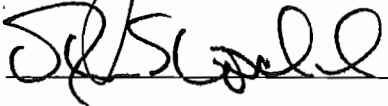


Secretary for Dia Met Minerals Ltd.

the Sub-Landlord:
CITY OF KELOWNA
by its authorized signatories




_____ Mayor


_____ City Clerk

Schedule "A"

COMMERCIAL MORTGAGE OF SUB-LEASE

This Indenture made as of the 8th day of March, 1996.

B E T W E E N:

NORTHERN AIR SUPPORT LTD.
Incorporation No. A-38978
1695 Powick Road,
Kelowna, British Columbia
V1X 4L1

(the "Mortgagor")

A N D:

DIA MET MINERALS LTD.
1695 Powick Road
Kelowna, British Columbia
V1X 4L1

(the "Mortgagee")

W H E R E A S:

A. Her Majesty the Queen in right of Canada, as represented by the Minister of Transport has leased to the City of Kelowna, in the Province of British Columbia the following lands by virtue of a lease described as follows:

Lease No. 109806 (Pacific 1375) dated the 19th day of December, 1979 (the "Lease") in which Her Majesty the Queen in right of Canada, represented therein by the Minister of Transport, granted to the City of Kelowna, in the Province of British Columbia, all and singular those certain parcels of land situate, lying and being in the Province of British Columbia, Osoyoos Division, Yale District, consisting of Lot 3 - Registered Plan 11796, District Lot 120 - Plan 1929, Lot 7 - Registered Plan 1502, comprising all of the Kelowna Airport and being more particularly shown on Drawing No. P131P007N026, dated June 1, 1978, together with buildings and facilities as listed in the Index to Buildings and shown on Drawing No. P131P007N026, dated June 1, 1978, thereto annexed. Together with the Lessor's equipment as enumerated in the Schedule annexed thereto marked "A", and which Lease was renewed and amended by agreements supplemental thereto dated November 8, 1983, January 15, 1985, October 31, 1986, January 19, 1990, November 29, 1990, May 26, 1994 and June 14, 1994, February 16, 1996 respectively, all of which will by reference thereto at length and more fully appear;

B. The City of Kelowna has leased to the Mortgagor the following lands by virtue of a sub-lease described as follows:

Sub-Lease No. 144676 dated December 16, 1994 of a portion of Lease No. 109806 (Pacific 1375) dated December 19, 1979 (the "Sub-Lease") being all and singular that certain parcel of land situate, lying and being in the Kelowna Airport at or in the vicinity of the City of Kelowna, in the Province of British Columbia; the said land comprising an area of 41,119 square feet, more or less, and being more particularly shown on Drawing No. 9732LSE.DWG dated the 23rd day of November, 1994 prepared by R. R. Runnalls & Associates, B.C. Land Surveyors annexed to the Sub-Lease, all of which will by reference thereto at length and more fully appear, and being more particularly shown outlined in bold and described as Lease Area "A" on Reference Plan of Part of Lot 3, Plan 11796, DL.32 and Sec.14, Tp. 23, ODYD. on the plan annexed hereto as Schedule "B";

for the term commencing on the 1st day of January, 1995 for a period of five years, less a day, up to and including December 30th, 1999 and then to be complete and ended, subject to the rents, covenants and conditions therein contained.

(the said interest in the Sub-Lease is referred to as "the Mortgaged Land"), subject to the Endorsements listed on Schedule "A" hereto;

C. This Mortgage is given for valuable consideration (the receipt and sufficiency of which are hereby acknowledged) as further collateral security for payment and satisfaction to the Mortgagee of all obligations, debts and liabilities, present or future, direct or indirect, absolute or contingent, matured or not, extended or renewed, at any time owing by the Mortgagor to the Mortgagee or remaining unpaid by the Mortgagor to the Mortgagee or heretofore or hereafter incurred or arising and whether incurred by or arising from agreement or dealings between the Mortgagee and the Mortgagor or from any agreement or dealings with any third party by which the Mortgagee may be or become in any manner whatsoever a creditor of the Mortgagor or however otherwise incurred or arising anywhere within or outside Canada and whether the Mortgagor be bound alone or with another or others and whether as principal or surety and any unpaid balance thereof and whether the same is from time to time reduced and thereafter increased or entirely extinguished and thereafter incurred again (such obligations, debts and liabilities being hereafter called the "liabilities") but it being agreed that this Mortgage at any one time will secure only that portion of the aggregate principal component of the liabilities outstanding at such time which does not exceed the amount of \$1,816,221.00 (the "Principal Amount") together with interest thereon as herein set forth.

D. The Mortgagee hereby acknowledges that in order to secure the sum of \$1,816,221.00 it has in addition to this Mortgage, other further security as follows:

- (a) General Security Agreement registered October 2, 1995 as Base Registration #6011063 in the Personal Property Registry (the "PPR") for British Columbia;
- (b) General Security Agreement over Helicopter C FCFM Eurocopter AS350B2 more particularly described in the General Security Agreement registered October 17, 1995 as Base Registration #6034810 in the PPR for British Columbia.
- (c) Loan Agreement dated in February, 1996 setting out the terms and conditions of repayment of the Principal Amount to the Secured Party, being the Mortgagee herein.

The Mortgagee hereby agrees that any payments made in reduction of the Principal Amount and interest owing under this Mortgage shall reduce, pro tanto, the Principal Amount and interest owing under the additional security set forth above.

1. The Principal Amount is made up as follows:

Loan 1	\$1,516,221.00
Loan 2	\$ 300,000.00

In consideration of the Mortgagee advancing the Principal Amount as set out above, the Mortgagor does hereby demise, lease and charge by way of a specific mortgage and fixed charge unto the Mortgagee its sub-leasehold interest in and to the Mortgaged Land, subject to the last day of the term of the Sub-Lease being excepted from the charge created by this Mortgage, but the Mortgagor shall stand possessed of the reversion thereby remaining in trust for the Mortgagee to assign and dispose of as the Mortgagee directs.

2. Provided this Mortgage to be void on payment to the Mortgagee on demand at 1695 Powick Road, Kelowna, British Columbia, V1X 4L1 or at such other place as the Mortgagee may from time to time require of the Principal Amount in lawful money of Canada, together with interest thereon as follows:

- (a) The Principal Amount and interest ON DEMAND;
- (b) With respect to Loan 1, both before and after demand, default and judgment, interest shall accrue and be calculated monthly from the date of advance and be payable on demand, on all monies from time to time outstanding at the rate of eight (8.0%) percent per annum;
- (c) With respect to Loan 2, both before and after demand, default and judgment, interest shall accrue and be calculated monthly, from the date of advance, and be payable on demand, on all monies from time to time outstanding at the rate of Nine and three-quarters (9.75%) percent per annum;

3. All monies advanced hereunder, together with all interest accrued thereon, shall be repayable on demand by the Mortgagee at any time notwithstanding any reference herein to fixed interest rates for specified terms, or under other

provisions hereof or the Security called for hereunder. The parties hereto may vary the interest rates on Loan 1 and Loan 2 as mutually agreed between the parties.

And taxes and performance of statute labour.

4. The Mortgagor agrees to make all payments of principal and interest required to be made under any prior mortgage or mortgages of the Mortgaged Land and to keep otherwise in good standing such prior mortgage or mortgages; and the Mortgagor agrees not to further encumber or sell, transfer or assign the sub-leasehold interest of the Mortgagor in the Mortgaged Land so long as this Mortgage remains in force and effect, without the prior written consent of the Mortgagee; if the Mortgagor becomes in default under this paragraph 3, the whole balance of principal and interest then unpaid to the Mortgagee shall forthwith become due and payable at the option of the Mortgagee.

5. This Mortgage is made to secure a current or running account and shall not be deemed to have been redeemed by reason only that:

- (a) advances made under it are repaid, or
- (b) the account of the Mortgagor with the Mortgagee ceases to be in debit;

and this Mortgage remains effective as security for any and all further advances at any time made by the Mortgagee; provided that nothing herein contained shall prevent the Mortgagor from demanding and receiving from the Mortgagee at the Mortgagor's expense a discharge of this Mortgage at any time when there are no monies owing or liabilities outstanding to the Mortgagee from the Mortgagor

6. The Mortgagor covenants with the Mortgagee that the Mortgagor will pay the mortgage money and interest and observe the above provisos.

7. The Mortgagor will forthwith insure and during the continuance of this Mortgage keep insured in favour of the Mortgagee against loss or damage by fire, such insurable perils as are covered by an "all risks" policy and such other perils as the Mortgagee may require, to the full extent of their replacement cost each and every building comprised in the Mortgaged Land and which may hereafter be erected thereon, both during construction and thereafter, in lawful money of Canada with an insurance company duly authorized to carry on business as such and under policies satisfactory in form and content to the Mortgagee; and the policy or policies of insurance shall not contain co-insurance clauses and the Mortgagor will forthwith deliver to the Mortgagee certified copies of the policy or policies of insurance and all renewal receipts thereto appertaining; without limiting the foregoing such policy or policies shall include the following insurance coverage:

- (a) "All risks" of direct physical loss or damage with respect to the Mortgaged Land and any moveables located thereon on a replacement cost basis with loss under each policy payable to the Mortgagee pursuant to the standard mortgage clause approved by the Insurance Bureau of Canada or otherwise approved by the Mortgagee, with preference in its favour over any claim

of any other person; permission shall be granted thereby for the improvements to be vacant or unoccupied for a period of at least 30 days and it shall provide for partial occupancy;

- (b) Comprehensive broad form boiler and machinery insurance including unfired pressure vessels insurance and air-conditioning equipment, if any, including repair and full replacement costs for amounts satisfactory to the Mortgagee, with loss payable to the Mortgagee by way of a mortgage clause approved by the Mortgagee;
- (c) Business interruption or rental loss insurance covering perils insured in paragraphs (a) and (b) above acceptable to the Mortgagee for an indemnity period of not less than 12 months and with coverage of not less than 100% of the resulting loss of rents or loss of business income from the business conducted on the premises; and
- (d) Commercial general liability insurance, including personal injury, products, and completed operations subject to a limit per occurrence of not less than \$2,000,000.00, or such amount as the Mortgagee may reasonably require, inclusive of bodily injury, death or property damage.

All cancellation clauses in the above referenced policies, including those contained in the mortgage clauses, are to provide for at least 30 days prior notice to the Mortgagee of such cancellation.

Such policies shall also provide that the Mortgagee shall receive at least 30 days prior notice of any material alteration of such policy.

The Mortgagee shall be entitled to require coverage of such other risks and perils as the Mortgagee may from time to time consider advisable or desirable and in respect of which insurance coverage may be available. Should an insurer, at any time, cease to have the approval of the Mortgagee, the Mortgagor shall effect such new insurance as the Mortgagee may desire.

The Mortgagee is hereby irrevocably appointed by the Mortgagor as attorney of the Mortgagor to assign any policy of insurance in the event of the foreclosure of this Mortgage or other extinguishment of the indebtedness secured hereby.

The Mortgagor will not do or omit or cause or suffer anything to be done, omitted, caused or suffered whereby the policy or policies of insurance, as aforesaid, may be voided or become void; and the Mortgagor will pay all premiums and sums of money necessary for such purposes promptly as the same shall become due and will deliver evidence of renewal to the Mortgagee at least 15 days prior to the expiration of any policy of insurance; and, in the event of any breach of the foregoing covenants respecting insurance, the Mortgagee, without prejudice to its other rights hereunder, may, at its option, effect such insurance to a value deemed, in the sole opinion of the Mortgagee, adequate to protect the Mortgagee's insurable interest and any amount paid therefor by the Mortgagee shall be added to the debt secured by this Mortgage and shall bear interest at the Interest Rate from the time of such payment and shall be payable at the time appointed for the next ensuing payment of interest on the said debt; provided

that in no event shall the Mortgagee be liable for failure to have insurance placed or for any loss growing out of any defects in any policy, or for failure of any insurance company to pay for any loss or damage insured against.

Forthwith on the happening of any loss or damage, the Mortgagor will furnish at its own expense all necessary proofs and do all necessary acts to enable the Mortgagee to obtain payment of the insurance monies and the production of this Mortgage shall be sufficient authority for the said insurance company to pay every such loss to the Mortgagee, and the said insurance company is hereby directed thereupon to pay the same to the Mortgagee.

Any insurance monies received may, at the option of the Mortgagee, be applied in rebuilding, reinstating or repairing the premises or be paid to the Mortgagor or any other person appearing by the registered title to be or to have been the owner of the said premises or be applied or paid partly in one way and partly in another, or it may be applied, in the sole discretion of the Mortgagee, in whole or in part on the mortgage debt or any part thereof whether due or not then due.

In the event any of the provisions of this Mortgage are in conflict with those of the **Fires Prevention (Metropolis) Act, 1774**, the provisions of this Mortgage shall prevail and the Mortgagor hereby expressly waives any rights, privileges or benefits to which it would otherwise be entitled under such legislation or any legislation in replacement thereof.

8. The Mortgagor covenants and agrees to execute and deliver to the Mortgagee from time to time as and when required by the Mortgagee (and in addition to any assignment of rents contained herein) assignments of leases and assignments of rents (subject to no prior claim or assignment) with respect to any and all leases and agreements to lease of all or portions of the Mortgaged Land now or hereafter from time to time granted or entered into by the Mortgagor, all of such assignments to be held by the Mortgagee as further security for the monies owing and secured under this Mortgage. The form and content of all leases and offers to lease relating to the Mortgaged Land or any part thereof and all tenants thereof under leases must be expressly approved in writing by the Mortgagee. All of such leases, assignments of leases and assignments of rents as and when required by the Mortgagee shall, at the option of the Mortgagee, be registered in such places as the Mortgagee may require from time to time.

The Mortgagor covenants and agrees to execute and deliver to the Mortgagee from time to time as and when required by the Mortgagee a chattel mortgage charging or a security agreement creating a security interest in all chattels and personal property of whatsoever kind now or hereafter owned by the Mortgagor and situate on or used in connection with the Mortgaged Land, such chattel mortgage to be in favour of the Mortgagee, in form and content acceptable to the Mortgagee and to constitute at all times a valid first mortgage and charge on the said chattels and personal property, and such chattel mortgage or a security agreement creating a security interest in respect thereof shall, at the option of the Mortgagee, be registered in such places as the Mortgagee may require from time to time.

9. The Mortgagor has released, remised and forever quit claimed, and by this

Mortgage does release, remise, and forever quit claim unto the Mortgagee all right, title, interest, claim and demand whatsoever of, unto and out of the Mortgaged Land hereby charged or intended so to be, and every part and parcel thereof, so that the Mortgagor shall not or may not at any time hereafter have, claim, pretend to, challenge or demand the Mortgaged Land or any part thereof, in any manner howsoever, subject always to the proviso for defeasance.

10. Provided that all arrears of principal and interest or compound interest required by these presents to be paid shall bear compound interest at the rate aforesaid, as well after as before maturity, default and judgment, with interest on overdue interest at the same rate as the principal sum, and all such interest and compound interest shall be a charge on the Mortgaged Land.

11. The Mortgagor further covenants with the Mortgagee to provide annually to the Mortgagee, should the Mortgagee so require, detailed financial statements of the income and expenses of the Mortgaged Land for each calendar year as applicable. Such statements shall be audited by a chartered accountant and provided within 120 days after the end of each calendar year, as applicable.

12. In the event of default in the payment of any principal, interest or any other amount payable under this Mortgage by the Mortgagor or on breach of any covenant, proviso or agreement contained in this Mortgage the Mortgagee may, at such times as the Mortgagee may deem necessary and without the concurrence of any person, enter upon and take possession of the Mortgaged Land and may make such arrangements for completing the construction of, repairing or putting in order any buildings or other improvements on the Mortgaged Land, or for inspecting, taking care of, leasing, collecting the rents of and managing generally the Mortgaged Land as the Mortgagee may deem expedient; and all reasonable costs, charges and expenses, including allowances for the time and service of any employee of the Mortgagee or other person appointed for the above purposes shall be forthwith payable to the Mortgagee and shall be a charge under this Mortgage upon the Mortgaged Land and shall bear interest at the Interest Rate until paid.

13. Provided that the Mortgagee on default of payment of any principal, interest or any other amount payable under this Mortgage or in the observing, performing, fulfilling or keeping of one or more of the covenants, agreements or conditions of the Mortgagor contained in this Mortgage may, without notice to or the concurrence of the Mortgagor, enter on and lease or sell the Mortgaged Land; and that the Mortgagee may lease or sell as aforesaid without entering into possession of the Mortgaged Land; and that the title of a purchaser or lessee upon a sale or lease made in professed exercise of the above power shall not be liable to be impeached on the ground that no case had arisen to authorize the exercise of such power, or that such power had been improperly or irregularly exercised, or that notice had not been given, but any person damnified by an unauthorized, improper or irregular exercise of the power shall have his remedy against the person exercising the power in damages only; and that the Mortgagee may sell the whole or any part or parts of the Mortgaged Land by public auction or private contract, or partly one and partly the other, on such terms as to credit and otherwise as to the Mortgagee shall appear most advantageous and for such prices as can reasonably be obtained therefor; and that sales may be made

from time to time of portions to satisfy interest or parts of the principal overdue, leaving the principal or balance thereof to run at interest, payable as aforesaid; and the Mortgagee may make any stipulations as to title, or evidence, or commencement of title, or otherwise, as the Mortgagee shall deem proper; and the Mortgagee may buy in or rescind or vary any contract for sale of any of the Mortgaged Land and re-sell, without being answerable for loss occasioned thereby; and in the case of a sale on credit the Mortgagee shall only be bound to pay to the Mortgagor such monies as have been actually received from purchasers after the satisfaction of the Mortgagee's claim; and for any of such purposes the Mortgagee may make and execute all agreements and assurances the Mortgagee deems fit; and that the purchaser at any sale hereunder shall not be bound to see to the propriety or regularity thereof; and that no want of notice or of publication, if any, required hereby, shall invalidate any sale hereunder; and the Mortgagee will not be liable for any loss which may arise by any such leasing or sale as aforesaid; provided that, notwithstanding the power of sale or leasing and other powers and provisions of this clause, the Mortgagee will have and be entitled to its right of foreclosure of the equity of redemption of the Mortgagor in the Mortgaged Land and any and all other remedies available to it as fully as if said powers and provisions had not been contained herein or acted upon.

And it is further agreed between the parties to this Mortgage that until such sale or sales shall be made as aforesaid, the Mortgagee shall and will stand possessed of the rents and profits of the Mortgaged Land in case it shall take possession of them on default as aforesaid and after such sale or sales shall stand possessed of the monies to arise and be produced from such sales, or which might arise from any insurance upon the Mortgaged Land or any part thereof upon trust firstly in payment of all the expenses incident to the sales, leases, conveyances, or attempted sales, or leases, secondly all costs, charges, damages and expenses of the Mortgagee relating to taxes, prior charges, rents, insurance, repairs, utilities and any other amounts which the Mortgagee may have paid relating to the Mortgaged Land, thirdly in discharge of all interest and costs then due in respect of this Mortgage, fourthly in discharge of the principal money secured by this Mortgage, fifthly in payment of subsequent encumbrances according to their priorities and the residue shall be paid to the Mortgagor as it may direct and shall also in such event, at the request, cost and charge of the Mortgagor transfer, release and assure to the Mortgagor or to such person or persons as it shall direct and appoint, all such parts of the Mortgaged Land as shall remain unsold for the purposes aforesaid, discharged from all this Mortgage, but no person who shall be required to make or execute any such assurances shall be compelled for the making thereof to go or travel from his usual place of abode.

14. Provided that if default shall be made in payment of any part of the principal, interest or other monies secured by this Mortgage at any day or time limited in this Mortgage for the payment thereof, it shall and may be lawful for the Mortgagee, and the Mortgagor hereby grants full power and license to the Mortgagee, to enter, seize and distrain upon any goods upon the Mortgaged Land and by distress warrant to recover by way of rent reserved as in the case of a demise of the Mortgaged Land as much of the said principal, interest or other monies secured by this Mortgage as shall from time to time be or remain in

arrears or unpaid, together with all costs, charges and expenses (including without limitation costs as between solicitor and his own client) related to such levy or distress as in like cases of distress for rent; and as a part of the consideration for the advance of the principal sum secured by this Mortgage the Mortgagor hereby waives on the exercise of such power and license, all rights to exemption from seizure and distress under any law whatsoever.

15. It is hereby agreed that the Mortgagor has, for valuable consideration (the receipt and sufficiency of which are hereby acknowledged by the Mortgagor) created this Mortgage as collateral or additional security to further secure the repayment and satisfaction of any obligations, debts and liabilities, present or future, direct or indirect, absolute or contingent, matured or not, extended or renewed (and interest thereon and interest on overdue interest) at any time owing by the Mortgagor or such other party or parties more particularly described in this Mortgage to the Mortgagee pursuant to any guarantees, obligations, notes, promissory notes or any other security instruments or evidences of indebtedness (including all additions thereto, deletions therefrom and substitutions therefor) held by the Mortgagee and as may be more particularly described in this Mortgage (such obligations, debts and liabilities hereinafter referred to as the "Specified Liabilities"). Subject to any statement in this Mortgage that this Mortgage is made as collateral or additional security only to those Specified Liabilities more particularly described in this Mortgage, this Mortgage shall also constitute a continuing collateral or additional security to further secure the repayment and satisfaction of all obligations, debts and liabilities, present or future, direct or indirect, absolute or contingent, matured or not, extended or renewed (and interest thereon and interest on overdue interest) at any time owing by the Mortgagor to the Mortgagee and which are not Specified Liabilities (the "Unspecified Liabilities": the Specified Liabilities and Unspecified Liabilities (if any) collectively referred to as the "Liabilities").

It is hereby agreed that any act done or omitted to be done by any of the parties hereto regarding any of the Liabilities shall not in any way affect or prejudice this Mortgage or the rights or remedies of the Mortgagee hereunder and this Mortgage shall remain and be in force until satisfaction thereof is made by payment of principal, interest, and all other amounts payable hereunder as if no other security was held by the Mortgagee.

Neither the execution and delivery of this Mortgage nor anything herein contained shall prejudice or affect any of the Liabilities but the same shall remain enforceable according to the tenor thereof.

No extension of time hereby or otherwise created shall affect or prejudice the rights of the Mortgagee as regards any of the Liabilities and the Mortgagee hereby reserves all its rights against all other persons, firms or corporations who may at any time be or become liable for the payment of principal, interest or any other amount payable hereunder or any part thereof hereby secured.

16. Provided that upon default of the payment of any principal or interest or any other monies payable under this Mortgage by the Mortgagor, or upon breach of any covenant, agreement or proviso herein contained, or upon breach of any covenant, agreement or condition contained in any security collateral to this

Mortgagor or any offer or commitment letter or other agreement in connection with this Mortgage, or upon any waste being committed or suffered on the Mortgaged Land, or upon the Mortgagor committing an act of bankruptcy within the meaning of the **Bankruptcy Act** of Canada, as amended (the "Bankruptcy Act") or becoming bankrupt or insolvent, or if a petition in bankruptcy is filed against the Mortgagor, or any authorized assignment for the benefit of creditors is made by the Mortgagor, or if a receiver or trustee for the Mortgagor or for any of the assets of the Mortgagor is appointed, or if there is instituted by or against the Mortgagor any other type of insolvency proceedings under the Bankruptcy Act or **Companies' Creditors Arrangement Act** of Canada, as amended (the "Companies' Creditors Arrangement Act") or the **Winding Up Act** of Canada, as amended (the "Winding Up Act") or any other legislation for the benefit of creditors or relating to bankrupt or insolvent debtors, the whole of the monies secured by this Mortgage remaining unpaid shall, at the option of the Mortgagee, forthwith become due and payable and any occurrence as aforesaid shall constitute a breach of covenant pursuant to this Mortgage but waiver of or failure to enforce at any time or from time to time any of the rights of the Mortgagee hereunder shall not prejudice the Mortgagee's rights in the event of any future default or breach.

17. Provided that in addition to any other provisions of this Mortgage or of any of the Liabilities or of any other agreement with the Mortgagee, the entire balance of the principal secured hereby together with accrued interest thereon and any other amount payable hereunder and remaining unpaid shall forthwith become due and payable at the option of the Mortgagee upon the occurrence of any of the following events:

- (a) if any payment of principal or interest or both or any part thereof as provided herein is not paid when due or any other monies secured by this Mortgage are not paid when due;
- (b) if the Mortgagor is in default under any term, covenant, agreement, proviso or condition of this Mortgage or any of the Liabilities or any evidence thereof or security therefor;
- (c) if the Mortgagor fails to observe or perform any other agreement with the Mortgagee concerning any of the Liabilities;
- (d) if the Mortgagor commits or suffers to be committed any waste on the Mortgaged Land;
- (e) if any representation or warranty made by the Mortgagor to the Mortgagee relating to any amounts due under any of the Liabilities is found at any time to be incorrect in any material respect;
- (f) if the Mortgagor becomes bankrupt or insolvent, or if a petition in bankruptcy is filed against the Mortgagor, or any authorized assignment for the benefit of creditors is made by the Mortgagor, or if a receiver or trustee for the Mortgagor or for any of the assets of the Mortgagor is appointed, or if there is instituted by or against the Mortgagor any other type of insolvency proceedings under the Bankruptcy Act or otherwise;

- (g) if the Mortgagor ceases or threatens to cease to carry on a major part of its business conducted at the date of this Mortgage;
- (h) if the Mortgagee in good faith believes that the prospect for repayment of all or any part of any amounts due under any of the Liabilities is impaired;
- (i) if legal implications arise which, in the opinion of the Mortgagee, may be detrimental to the security value of this Mortgage (or of any of the Liabilities); or
- (j) in the event that this Mortgage has been executed by a corporation;
 - (i) if all or any part of the shares in the capital of the Mortgagor shall be issued or transferred by sale, assignment, bequest, inheritance, amalgamation, operation of law or any other manner of disposition so as to result in a change in the control of the Mortgagor, without the prior written consent of the Mortgagee, which consent may be withheld or declined for any reason whatsoever, and the Mortgagor agrees to provide reasonable notice to the Mortgagee of any anticipated or impending transaction which would require the consent of the Mortgagee pursuant to the terms of this clause;
 - (ii) if the Mortgagor, without the prior written consent of the Mortgagee, authorizes the purchase by the Mortgagor of any of its shares;
 - (iii) if a member of the Mortgagor commences an action against the Mortgagor which action relates to this Mortgage, or gives a Notice of Dissent to the Mortgagor in accordance with the provisions of the **Company Act** of British Columbia, as amended (the "Company Act") or a similar notice by a shareholder under other applicable legislation;
 - (iv) if the Mortgagor carries on any business that it is restricted from carrying on by its constating documents;
 - (v) if the Mortgagor uses any of the funds advanced under this Mortgage for any purpose other than as declared to and agreed upon by the Mortgagee;
 - (vi) if the statutory declaration of the Secretary or other officer or director of the Mortgagor which accompanies this Mortgage contains any misstatement;
 - (vii) if an order is made, a resolution is passed or a motion is filed for the winding-up of the Mortgagor;
 - (viii) if any proceedings with respect to the Mortgagor are commenced under the **Companies' Creditors Arrangement Act**; or
 - (ix) if in the opinion of the Mortgagee there is a material adverse change in the financial condition of the Mortgagor.

Waiver of or failure to enforce at any time or from time to time any of the rights of the Mortgagee hereunder shall not prejudice the Mortgagee's rights in the event of any future default or breach.

18. The Mortgagor agrees that neither the execution nor registration of this Mortgage, nor the advance in part of the monies secured by this Mortgage, shall bind the Mortgagee to advance the said monies or any unadvanced portion thereof and that the advance of the said monies or any part thereof from time to time shall be in the sole discretion of the Mortgagee, and that all advances are to be made in such manner, at such times as and in such amounts up to the full amount of said monies as the Mortgagee in its sole discretion may determine; but nevertheless the charge of this Mortgage shall take effect forthwith upon the execution of this Mortgage by the Mortgagor and the expenses incurred by the Mortgagee in the examination of the title, valuation of the Mortgaged Land and preparation and registration of this Mortgage are secured by this Mortgage and constitute a charge upon the Mortgaged Land in the event of the whole or any part of the principal sum not being advanced, and the same are charged by this Mortgage upon the Mortgaged Land and shall be payable without demand forthwith at the Interest Rate and in default the Mortgagee's power of sale and all other remedies available to it shall be exercisable.

19. It is hereby mutually covenanted and agreed by and between the parties hereto that all erections and improvements fixed or otherwise now on or hereafter put on the Mortgaged Land including, but without limiting the generality of the foregoing, all fences, heating, piping, plumbing, aeriels, air-conditioning, ventilating, lighting, water heating equipment, cooling and refrigeration equipment, elevators, escalators, furnaces, light fixtures, boilers, pressure vessels, appliances, stoves, dishwashers, refrigerators, washers, dryers, and wall-to-wall carpets now or hereafter installed in the Mortgaged Lands or used in connection therewith, whether or not attached to the premises other than by their own weight, window blinds, radiators and covers, fixed mirrors, window screens and screen doors, shutters and awnings, floor coverings and all apparatus and equipment appurtenant thereto, are and shall, in addition to other fixtures on the Mortgaged Land, be and become fixtures and form part of the realty and shall be a portion of the security for the indebtedness under this Mortgage.

20. Provided that the Mortgagee may at all times release any part or parts of the Mortgaged Land or any other security or any surety for payment of all or any part of the monies secured by this Mortgage or may release the Mortgagor or any other person from any covenant or other liability to pay the said monies or any part thereof, either with or without any consideration therefor, and without being accountable for the value thereof or for any monies except those actually received by the Mortgagee, and without thereby releasing any other part of the Mortgaged Land or any other securities or covenants in this Mortgage or elsewhere contained, it being especially agreed that notwithstanding any such release, the Mortgaged Land, securities and covenants remaining unreleased shall stand charged with the whole of the monies hereby secured and all legal and other expenses incurred by the Mortgagee in connection with such discharge.

21. Provided that should default be made by the Mortgagor in the observance

or performance of any of the covenants, provisos, agreements or conditions contained in any mortgage, charge or other encumbrance to which this Mortgage is subject, then and in that event all of the monies secured by this Mortgage shall, at the option of the Mortgagee, forthwith become due and be payable, and all the rights, powers and remedies in and by this Mortgage conferred including the powers of sale contained in this Mortgage shall at the option of the Mortgagee become exercisable as provided in this Mortgage.

22. The Mortgagor covenants and agrees with the Mortgagee that the Mortgagor will not permit any lien to be acquired against the Mortgaged Land or fixtures thereon under the **Builders Lien Act** of British Columbia, as amended (the "Builders Lien Act") or under any other statute or law at any time in force affecting the Mortgaged Land. Provided that upon the registration of any lien against the Mortgaged Land, or in the event of any buildings being constructed thereon being allowed to remain unfinished or without any work being done on them for a period of 10 days, the full amount of the monies secured by this Mortgage shall, at the option of the Mortgagee, forthwith become due and payable.

23. The Mortgagee or agent of the Mortgagee at any time may enter upon the Mortgaged Land to inspect the Mortgaged Land, and the reasonable costs of such inspection shall be added to the debt secured by this Mortgage.

24. The Mortgagor covenants and agrees with the Mortgagee that the Mortgagor will not permit waste to be committed or suffered on the Mortgaged Land and that he will maintain the building and other improvements on the Mortgaged Land in good order and repair to the satisfaction of the Mortgagee, and will not permit or suffer it to become or remain vacant, that he will comply with the terms of all policies of insurance in respect of the Mortgaged Land, and that the Mortgagee whenever it deems necessary, may by its surveyor or agent enter upon and inspect the Mortgaged Land, and the reasonable cost of such inspection shall be added to the debt secured by this Mortgage.

25. The Mortgagor covenants and agrees with the Mortgagee that the Mortgagor will not make or permit to be made any alterations or additions to the Mortgaged Land without the consent of the Mortgagee.

26. And it is agreed that the taking of a judgment or judgments on any covenants herein contained shall not operate as a merger of the said covenants or affect the right of the Mortgagee to interest at the rate and times herein provided in this Mortgage; and further that the said judgment shall provide that interest thereon shall be computed at the same rate and in the same manner as provided in this Mortgage until the said judgment shall have been fully paid and satisfied.

27. No sale or other dealing by the Mortgagor with the Mortgaged Land or any part thereof shall in any way change the liability of the Mortgagor or in any way alter the rights of the Mortgagee as against the Mortgagor or any other person liable for payment of the monies hereby secured.

28. And it is hereby agreed that the Mortgagee may pay the amount of any encumbrance, lien or charge now or hereafter existing or to arise or to be

claimed upon the Mortgaged Land, having or claiming priority over this Mortgage including any taxes, utility charges or other rates on the Mortgaged Land, or any of them, and may pay all costs, charges and expenses which may be incurred in taking, recovering and keeping possession of the Mortgaged Land and generally in any proceedings or steps of any nature whatever properly taken in connection with or to realize this security, and all solicitor's charges or commissions for or in respect of the collection of any overdue instalments or any other monies whatsoever payable by the Mortgagor under this Mortgage, including without limitation costs as between solicitor and his own client, whether any action or other judicial proceeding to enforce such payment has been taken or not; and the amount so paid and insurance premiums for fire or other risks or hazards and any other monies paid under this Mortgage by the Mortgagee shall be added to the debt secured by this Mortgage and be a charge on the Mortgaged Land and shall bear interest at the Interest Rate and shall be payable forthwith by the Mortgagor to the Mortgagee; and the non-payment of such amount shall be a default of payment hereunder and shall entitle the Mortgagee to exercise the powers and remedies provided to it under this Mortgage; and in the event of the Mortgagee paying the amount of any such encumbrance, lien or charge, taxes or rates, either out of the monies advanced on the security of this Mortgage or otherwise, the Mortgagee shall be subrogated to and entitled to all the rights, equities and securities of the person or persons, company, corporation or government so paid off, and is hereby authorized to retain any discharge thereof, without registration, for a longer period than six months if the Mortgagee deems it proper to do so.

29. Provided that no extension of time given by the Mortgagee to the Mortgagor, or anyone claiming under the Mortgagor, or any other dealing by the Mortgagee with the owner of the equity of redemption of the Mortgaged Land shall in any way affect or prejudice the rights of the Mortgagee against the Mortgagor or any other person liable for payment of the monies hereby secured; and that the terms of repayment of and the rate of interest payable under this Mortgage may be varied, extended, increased or decreased or otherwise amended as the Mortgagee and the then registered owner(s) of the Mortgaged Land may determine and agree in writing, from time to time and whether before, as at, or after the then maturity date of this Mortgage, and all of the same without prejudice to the rights of the Mortgagee against either the initial mortgagor hereunder or any other person(s) liable for the payment of the monies secured by this Mortgage; further any alteration aforesaid may but need not be registered against the Mortgaged Land and whether or not so registered, this Mortgage, as so altered, shall rank in priority to any and all interests registered against the Mortgaged Land subsequent to the registration of this immediate mortgage document as if and to the extent that said alteration had been executed and registered, and all monies thereunder advanced, before the execution and registration of any of said subsequent interests.

30. The Mortgagee shall have a reasonable time after payment in full of all monies secured by this Mortgage within which to prepare and execute a discharge (or, if requested by the Mortgagor and consented to by the Mortgagee, an assignment) of this Mortgage; and interest as aforesaid shall continue to run and accrue until actual payment in full has been received by the Mortgagee; and all legal and other expenses for the preparation and execution of such

discharge or (assignment) shall be borne by the Mortgagor.

31. This Mortgage is in addition to and not in substitution for any other security held by the Mortgagee including, without limiting the generality of the foregoing, any promissory note or notes for all or any part of the monies secured under this Mortgage, and it is understood and agreed that the Mortgagee may pursue its remedies thereunder or under this Mortgage concurrently or successively at its option, and in such order as the Mortgagee determines in its sole discretion. Any judgment or recovery under this Mortgage or under any other security held by the Mortgagee for, inter alia, the monies secured by this Mortgage shall not affect the right of the Mortgagee to realize upon this or any other such security. The Mortgagor covenants and agrees to comply with the terms and provisions of any other or collateral security held by the Mortgagee in connection with this Mortgage, and a breach by the Mortgagor of the terms of any other or collateral security shall constitute a breach and default by the Mortgagor hereunder.

32. All payments secured hereby shall be made in lawful money of Canada at the branch office address of the Mortgagee designated as the place for payment as set out herein, or at such other place as the Mortgagee may designate in writing to the Mortgagor.

33. If at any time any provision of this Mortgage is declared or held illegal, invalid or unenforceable in whole or in part under or inconsistent with the provisions of any applicable law or would by reason of the provisions of any such law render the Mortgagee unable to collect the amount of any loss sustained by it as a result of making the loan secured by this Mortgage which it would otherwise be able to collect, then such provision shall not apply and shall be construed so as not to apply to the extent that it is illegal, invalid, unenforceable or inconsistent or would so render the Mortgagee unable to collect the amount of any such loss, and this Mortgage will continue in full force and effect and be construed as if it had been executed without such illegal, invalid, unenforceable or inconsistent provision.

34. If the Mortgagor is required by law to make any deduction or withholding from any sum payable by the Mortgagor to the Mortgagee under this Mortgage, then the sum payable by the Mortgagor in respect of which such deduction or withholding is required to be made shall be increased to the extent necessary to ensure that, after the making of such deduction or withholding, the Mortgagee receives and retains (free from any liability in respect of such deduction or withholding) a net sum equal to the sum which it would have received and so retained had no such deduction or withholding been made or required to be made; and the Mortgagor shall pay the full amount to be deducted or withheld to the relevant taxation or other authorities within the time allowed for such payment under applicable law and shall deliver to the Mortgagee within 30 days after it has made such payment to the applicable authority a receipt issued by such authority evidencing such payment.

35. Provided that no failure to enforce at any time or from time to time any of the rights of the Mortgagee under this Mortgage shall prejudice such rights or any other rights of the Mortgagee, no performance or payment by the Mortgagee

in respect of any breach or default under this Mortgage by the Mortgagor shall relieve the Mortgagor from any default under this Mortgage and no waiver at any time or from time to time of any such rights of the Mortgagee shall prejudice such rights in the event of any future default or breach.

36. The provisions set forth in any commitment letter or other agreement between the Mortgagor and the Mortgagee will not merge with this Mortgage but shall survive the execution, delivery and registration of this Mortgage except that, if such provisions are inconsistent with the provisions hereof, the Mortgagee may elect which provision shall govern.

37. Notwithstanding anything contained in this Mortgage it is declared and agreed that at any time and from time to time when there shall be default in the payment of principal, interest or any other amounts payable under this Mortgage or the performance of any of the provisions of this Mortgage, the Mortgagee may, at such time and from time to time and with or without entry into possession of the Mortgaged Land, or any part thereof, by instrument in writing appoint, or by application to a court of competent jurisdiction obtain an order for the appointment of, any person, whether an officer or officers or an employee or employees of the Mortgagee or not, as a receiver (which term as used in this paragraph and elsewhere in this Mortgage includes a receiver manager and receiver and manager and also includes the plural as well as the singular) of the Mortgaged Land, or any part thereof and of the rents and profits thereof, and with or without security, and may, when the appointment of the receiver is by instrument, from time to time by similar writing remove any receiver and appoint another in his stead, and that in making any such appointment or removal, the Mortgagee and any person so appointed shall be deemed to be acting as the agent or attorney for the Mortgagor, but no such appointment shall be revocable by the Mortgagor. Upon the appointment of any receiver from time to time the following provisions shall apply:

- (a) Every receiver shall have unlimited access to the Mortgaged Land as agent and attorney for the Mortgagor (which right of access shall not be revocable by the Mortgagor) and shall have full power and unlimited authority to:
 - (i) collect the rents and profits from tenancies whether created before or after this Mortgage;
 - (ii) rent any portion of the Mortgaged Land which may become vacant on such terms and conditions as he considers advisable and enter into and execute leases, accept surrenders and terminate leases;
 - (iii) complete the construction of any building or buildings or other erections or improvements on the Mortgaged Land left by the Mortgagor in an unfinished state or award the same to others to complete and purchase, repair and maintain any personal property including, without limitation, appliances and equipment necessary or desirable to render the premises operable or rentable and take possession of and use or permit others to use all or any part of the Mortgagor's materials, supplies, plans, tools, equipment (including appliances)

and property of every kind and description;

- (iv) manage, operate, repair, alter or extend the Mortgaged Land or any part thereof and carry on the business of the Mortgagor;
- (v) sell or grant options to purchase the Mortgaged Land, or any part thereof, at public auction, by public or private tender, or by private sale, on terms as to credit or otherwise and with or without security as shall appear most advantageous to the receiver;
- (vi) rescind or vary any contract or agreement of sale or lease;
- (vii) borrow such sum or sums as will in the opinion of the receiver, be required for the purposes of carrying on the receiver's duties and in so doing the receiver may issue receiver certificates; and
- (viii) employ such assistants as the receiver may consider necessary for carrying out the receiver's duties.

The Mortgagor undertakes to ratify and confirm whatever any receiver may do in the premises.

- (b) The Mortgagee at its discretion may vest the receiver with all or any of the rights and powers of the Mortgagee.
- (c) The Mortgagee may from time to time during the currency of the appointment of a receiver fix the reasonable remuneration of the receiver and such remuneration together with all costs and expenses of the receiver when paid by the Mortgagee, shall be added to all other monies owing by the Mortgagor to the Mortgagee under this Mortgage, shall be payable by the Mortgagor to the Mortgagee together with interest at the same rate as applies to the principal secured by this Mortgage and shall be a charge on the Mortgaged Land. The receiver shall be entitled to deduct any remuneration, costs and expenses out of the revenue or out of any sale proceeds realized from the Mortgaged Land. The Mortgagee shall be under no liability to the receiver for his remuneration, costs or expenses.
- (d) All sum or sums of money borrowed by the receiver and secured by receiver certificates shall be a charge on the Mortgaged Land.
- (e) Every receiver shall be deemed the agent or attorney of the Mortgagor for such purposes as the receiver shall deem necessary, including, without limitation, carrying out any sale of all or any part of the Mortgaged Land and affixing the seal of the Mortgagor to any deeds, transfers, conveyances, assignments, assurances and things which the Mortgagor ought to execute to complete any sale of all or any part of the Mortgaged Land or alternatively executing the same under his own seal by conveying in the name of and on behalf of the Mortgagor and under his own seal, and any deed or other instrument signed by him under his seal pursuant hereto shall have the same effect as if it were executed under the common seal of the Mortgagor and in no event shall the receiver be the agent of the

Mortgagee and the Mortgagee shall not be responsible for the acts and omissions of the receiver.

- (f) The appointment of any receiver by the Mortgagee shall not result in or create any liability or obligation on the part of the Mortgagee to the receiver or to the Mortgagor or to any other person and no appointment or removal of a receiver and no actions of a receiver shall constitute the Mortgagee a mortgagee in possession of the Mortgaged Land.
- (g) No receiver shall be liable to the Mortgagor to account for monies other than monies actually received by him in respect of the Mortgaged Land or any part thereof and out of such monies so received every receiver shall pay in the following order the following amounts:
 - (i) claims of all secured and unsecured creditors ranking in priority to this Mortgage;
 - (ii) all remuneration, costs and expenses of every nature and kind incurred by the receiver in connection with the exercise of the receiver's powers and authorities hereby conferred, excluding the receiver's borrowings;
 - (iii) to the Mortgagee any sum or sums borrowed by the receiver from the Mortgagee and interest thereon as secured by receiver certificates;
 - (iv) to the Mortgagee all interest, principal and other monies due hereunder to be paid in such order as the Mortgagee in its sole discretion shall determine;
 - (v) any sum or sums borrowed by the receiver from any financial institution, corporation or other person other than the Mortgagee and interest thereon as secured by receiver certificates;
 - (vi) any surplus shall, subject to the rights of other creditors, be paid to the Mortgagor.
- (h) Save as to its right to obtain from the receiver an accounting under paragraph (g) of paragraph 37, the Mortgagor hereby releases and discharges any receiver from every claim of every nature whether sounding in damages or not which may arise or be caused to the Mortgagor or any person claiming through or under him by reason or as a result of anything done by the receiver unless such claim is a direct and proximate result of dishonesty or fraud.
- (i) The Mortgagee may at any time and from time to time terminate any appointment of a receiver by instrument, by notice in writing to the Mortgagor and to any receiver.
- (j) The statutory declaration of an officer of the Mortgagee as to default under the provisions of the Mortgage and as to the due appointment of the receiver pursuant to the terms hereof shall be sufficient proof thereof

for the purposes of any person dealing with a receiver who is ostensibly exercising powers herein provided for and such dealing shall be deemed as regards such person to be valid and effectual notwithstanding any contrary assertion by the Mortgagor.

- (k) The rights and powers conferred herein in respect of the receiver are in addition to and not in substitution for any other rights and powers which the Mortgagee may have.

38. The Mortgagor covenants and agrees to at all times promptly observe, perform, execute and comply with all applicable laws, rules, requirements, orders, directions, by-laws, ordinances, work orders and regulations of every governmental authority and agency whether federal, provincial, municipal or otherwise, including, without limiting the generality of the foregoing, those dealing with zoning, use, occupancy, subdivision, parking, historical designations, fire, access, loading facilities, landscaped area, pollution of the environment, toxic materials or other environmental hazards, building construction, public health and safety, and of all private covenants and restrictions affecting the Mortgaged Land or any portion thereof and the Mortgagor will from time to time upon request of the Mortgagee, provide to the Mortgagee evidence of such observance and compliance, and will at its own expense make any and all improvements thereon or alterations to the Mortgaged Land structural or otherwise and will take all such other action as may be required at any time by any such present or future law, rule, requirement, order, direction, by-law, ordinance, work order or regulation. The Mortgagee whenever it deems necessary may by its surveyor or agent enter upon and inspect the Mortgaged Land and make such improvements and alterations and take all such other action as the Mortgagee deems necessary to render the Mortgaged Land in compliance with such laws, rules, requirements, order, directions, by-laws, ordinances, work orders or regulations and the reasonable cost of such inspection, improvements, alterations and other actions with interest at the rate set forth in this Mortgage shall be payable by the Mortgagor forthwith upon demand and be a charge upon the Mortgaged Land.

39. The Mortgagor agrees to pay the reasonable and necessary costs, charges and expenses incurred by the Mortgagee of and incidental to this Mortgage and any security collateral thereto including the preparation and registration hereof and thereof, and incidental to any and all other documents required in connection herewith or therewith and of any amendment or renewal hereof or thereof and of anything done in connection with the enforcement of the security granted hereby or thereby or the procuring or the payment of any monies payable under this Mortgage including, without limiting the generality of the foregoing, all solicitors' fees and disbursements, costs and expenses in valuing the Mortgaged Land in connection with the foregoing and all monies advanced by the Mortgagee at its option in order to preserve or protect the Mortgaged land. The Mortgagor further agrees that, such amounts shall be paid by the Mortgagor forthwith upon demand and until paid shall bear interest at the rate provided for in this Mortgage and shall be a charge on the Mortgaged Land.

40. It is agreed that if the Mortgagor, without the prior written consent of the Mortgagee, further encumbers the Mortgaged Land or sells, conveys, transfers,

exchanges, assigns, leases or otherwise disposes of any of its interest thereon, or enters into any agreement to effect any of the foregoing, then all monies secured by this Mortgage with interest thereon shall, at the option of the Mortgagee, become immediately due and payable. And it is further understood and agreed that the Mortgagor shall not create nor suffer to be created, any mortgage, charge, lien or encumbrance upon the Mortgaged Land ranking or capable of ranking in priority to or pari passu with this Mortgage, and it is hereby DECLARED that this provision being a term of this Mortgage shall be notice within the meaning of the Land Title Act of British Columbia, as amended ("the Land Title Act") to every person dealing with the Mortgaged Land that any mortgage, charge, lien or encumbrance upon the Mortgaged Land which is registered subsequently to this Mortgage shall be subject to and rank in priority after this Mortgage in all respects to the same extent as if this Mortgage had been executed, delivered and registered and as if all monies hereby secured (regardless of the date of advances or re-advances by the Mortgagee) had been advanced prior to the execution, delivery and registration of such subsequently registered mortgage, charge, lien or encumbrance and before the advancement of any part of the monies thereby secured and, without limiting the generality of the foregoing, in the event of this Mortgage being security for a guarantee or guarantees given by the Mortgagor to the Mortgagee, any such subsequently registered mortgage, charge, lien or encumbrance shall rank in priority after this Mortgage to the same extent as if demand by the Mortgagee had been made for payment of the aggregate principal amount secured by this Mortgage in accordance with the terms of this Mortgage and the said guarantee or guarantees prior to the execution, delivery and registration of such subsequently registered mortgage, charge, lien or encumbrance and before the advancement of all or any part of the monies thereby secured.

41. The Mortgagor will at all times and from time to time, at the request of the Mortgagee, do and execute or cause to be done and executed all things reasonably required for the better assuring to the Mortgagee of a valid charge over the Mortgaged Land.

42. The Mortgagor agrees that notwithstanding anything to the contrary contained herein, all payments due from or made by the Mortgagor shall be made without set-off or counterclaim and without any deductions or withholdings whatsoever.

43. Notwithstanding the rate or rates of interest payable as set forth in this Mortgage, the rate or rates of interest payable hereunder and secured hereby shall in no event exceed the maximum rate permitted under the laws of British Columbia or the laws of Canada having effect in British Columbia.

44. This Mortgage and the rights and obligations hereunder shall be governed and construed according to the laws of the Province of British Columbia.

45. This Mortgage is subject to the doctrine of consolidation as and to the extent permitted by Section 27 of the Property Law Act of British Columbia, as amended (the "Property Law Act").

46. The Mortgagor shall pay to the Mortgagee, on demand, the amount of any

taxes (other than the Mortgagee's income taxes) which may be imposed upon or in respect of the principal money advanced on this Mortgage together with interest thereon and which the Mortgagee may be called upon to pay, together with interest from the date on which such taxes are paid by the Mortgagee at the rate and compounded in the manner provided in this Mortgage.

47. If this Mortgage is executed under seal by the Mortgagor or Covenantor such execution shall constitute evidence that the instrument so executed is to take effect as a deed.

48. It is agreed that the following paragraph applies only if this Mortgage has been executed by a party as a covenantor:

It being a condition of the making of the loan referred to in this Mortgage that the covenant hereinafter set forth should be entered into by such party (the "Covenantor"), the Covenantor in consideration of the advance in whole or in part of the monies secured by this Mortgage does hereby covenant, promise and agree as principal debtor and not as surety to and with the Mortgagee that he will pay, or cause to be paid, to the Mortgagee the said principal sum and all other monies secured by this Mortgage together with interest thereon, on the days and at the times, and in the manner stated in this Mortgage and shall observe and perform all of the covenants, provisos, conditions, agreements and stipulations in this Mortgage, and shall abide by and submit to and hereby agrees to all conditions, provisos and stipulations in this Mortgage on the part of the Mortgagor set forth, and these covenants shall be binding notwithstanding the giving of time for payment of this Mortgage or the varying of terms of payment thereof or the rate of interest thereon.

49. It is agreed that the expressions "Mortgagor", "Mortgagee" and "Covenantor" wherever used in this Mortgage shall include the heirs, executors, administrators, successors and assigns of the Mortgagor, the Mortgagee and the Covenantor respectively, that in the event of this Mortgage being executed by two or more mortgagors, or two or more covenantors, the covenants on the part of the Mortgagor and the Covenantor herein contained shall be and be deemed to be joint and several covenants, and wherever the singular or masculine is used throughout this Mortgage the same shall be construed as meaning the plural or the feminine or body corporate or politic where the context or the parties to this Mortgage so require.

50. The Mortgagor further covenants that (save as aforesaid):

- (a) That the Sub-Lease is at the time of the execution of the Mortgage, a good, valid and subsisting Sub-Lease in the law and not surrendered, forfeited, or become void or voidable; and that the rents and covenants therein reserved and contained have been duly paid and performed by the said Mortgagor up to the date of the date hereof.
- (b) That the said Mortgagor now has good, rightful power and lawful and absolute authority to grant, bargain, sell and assign the said sub-

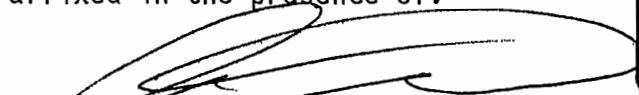
leasehold interest in the manner aforesaid and according to the true intent and meaning of these presents.

- (c) That in the case of default in payment of any monies or interest hereby secured or any part thereof, the said Mortgagee may enter into and upon and hold and enjoy the Mortgaged Land for the residue of the said term of years and the renewal or renewals (if any) for his own use and benefit without the let, suit, hindrance, interruption or denial of the said Mortgagor or any other person whomsoever; and that free and clear and freely and clearly acquitted, exonerated and discharged or otherwise by and at the expense of the said Mortgagor well and effectually saved, defended and kept harmless of, from and against all former and other gifts, grants, bargains, sales, leases and other encumbrances whatsoever and that the said Mortgagor has not nor has any other person hereto before made, done, committed, or suffered any act, deed, matter or thing whereby or by reason whereof the Mortgaged Land or any part thereof have or has been or may be in anywise charged, affected or encumbered.
- (d) The Mortgagee shall be entitled to cure any defaults under the said Sub-Lease and to add any expenses incurred in so doing to the amount owing hereunder.
- (e) The Mortgagor acknowledges and agrees that a default under the said Sub-Lease shall constitute a default under this Mortgage.
- (f) The Mortgagor covenants to observe and perform all the terms and covenants and conditions contained in the Sub-Lease or any prior charges against the Mortgaged Land and it is hereby declared and agreed that any default by the Mortgagor in its capacity as lessee or assignee under the Sub-Lease or under any prior charge shall constitute default hereunder;
- (g) The Mortgagor covenants to deliver to the Mortgagee, upon request at any time, receipts or other evidence of payment satisfactory to the Mortgagee of payment by the Mortgagor of the lease payments, operating costs and other annual fees payable under the Sub-Lease;
- (h) The Mortgagor covenants not to surrender or terminate its leasehold estate and interest above described nor surrender or terminate the Sub-Lease, and that it will not, without the written consent of the Mortgagee, modify, change, supplement, alter or amend the Sub-Lease either orally or in writing, and as further security for the repayment of the indebtedness secured hereby and for the performance of the covenants herein and in the Sub-Lease contained, the Mortgagor hereby assigns to the Mortgagee all of its rights, privileges and prerogatives as lessee under the Sub-Lease to surrender, terminate, modify, change, supplement, alter or amend the Sub-Lease, and any such act by the Mortgagor without the prior written consent thereto of the Mortgagee shall be void and of no force and effect;

- (i) The Mortgagor covenants to grant and mortgage to the Mortgagee in such form as the Mortgagee's solicitor shall advise, any greater estate or interest in the Leased Premises acquired by the Mortgagor during the currency of this Mortgage.

In witness whereof this Indenture has been executed.

The Common Seal of NORTHERN
AIR SUPPORT LTD. was hereunto
affixed in the presence of:



Authorized Signatory

Authorized Signatory

SCHEDULE A

ENDORSEMENTS AGAINST SUB-LEASE

Sub-Lease No. 144676 dated December 16, 1994 being a portion of Lease No. 109806
(Pacific 1375) Dated December 19, 1979

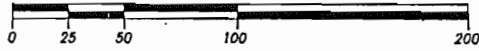
No endorsements

SGC/26889.5/sal

**REFERENCE PLAN OF PART OF LOT 3,
PLAN 11796, D.L. 32 & SEC. 14,
TP. 23, O. D. Y. D.**

PURSUANT TO SEC. 99(1)(K) LTA
FOR LEASEHOLD PURPOSES

B.C.G.S. No. 82 L 094

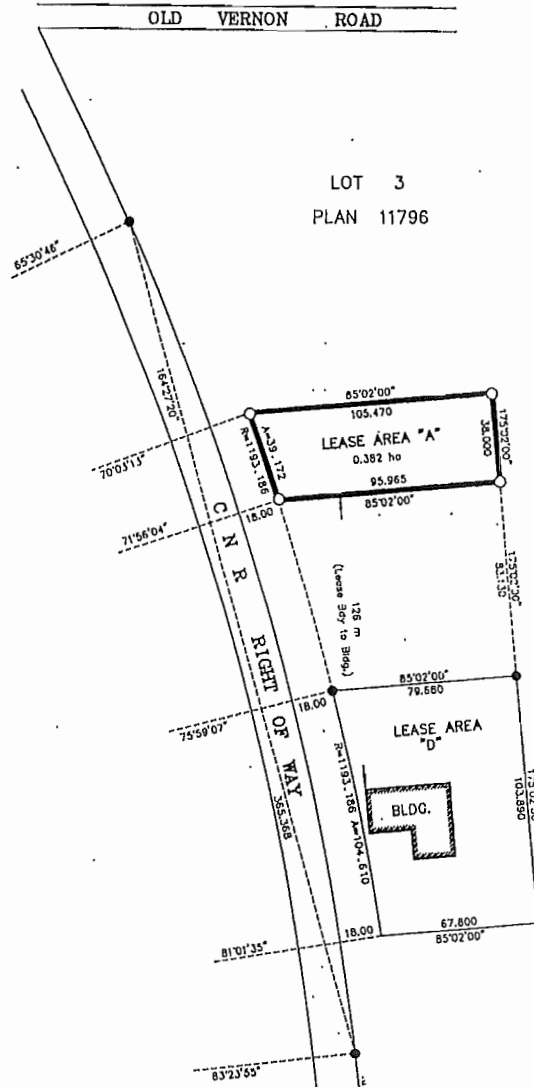


SCALE 1:2000 (All distances are in metres)

LEGEND

Bearings are Astronomic and are derived from PLAN 11796

- - denotes standard iron post found
- - denotes standard iron post set



I, R.R. Runnalls, a British Columbia land surveyor, of the City of Kelowna, in British Columbia, certify that I was present at and personally superintended the survey represented by this plan, and that the survey and plan are correct. The survey was completed on this 23rd day of November, 1994.

R.R. Runnalls
R.R. RUNNALLS B.C.L.S.

**R. R. RUNNALLS & ASSOCIATES
B. C. LAND SURVEYORS**

No. 2 - 1470 WATER STREET KELOWNA, B. C.,
V1Y 1J5 PH. 763 7322

DWG. No.: 9732LSE.DWG

FILE: 9732

This plan lies within the Regional District of Central Okanagan.

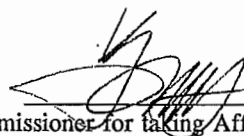


LAND TITLE ACT
FORM 6
(Sections 46)

PROOF OF EXECUTION BY CORPORATION

I CERTIFY that on the 6 day of March, 1996, at Kelowna, in the Province of British Columbia, Louis Trottier, who is personally known to me, appeared before me and acknowledged to me that he is the authorized signatory of NORTHERN AIR SUPPORT LTD., and that he is the person who subscribed his name and affixed the seal of the corporation to the instrument, that he was authorized to subscribe his name and affix the seal to it (and that the corporation existed at the date the instrument was executed by the corporation.)

IN TESTIMONY of which I set my hand and seal of office at Kelowna, in the Province of British Columbia, this 11 day of March, 1996.



A Commissioner for taking Affidavits within British Columbia

TO WHOM IT MAY CONCERN

The Minister of Transport, hereby, pursuant to the fourth Clause of -

Lease No. 109806 (Pacific 1375) dated the nineteenth day of December, 1979, (hereinafter called "Lease") in which Her Majesty the Queen in right of Canada, represented therein by the Minister of Transport, granted to the City of Kelowna, in the Province of British Columbia, all and singular those certain parcels of land situate, lying and being in the province of British Columbia, Osoyoos Division, Yale District, consisting of Lot 3 - Registered Plan 11796, District Lot 120 - Plan 1929, Lot 7 - Registered Plan 1502, comprising all of the Kelowna Airport and being more particularly shown on Drawing No. P131P007N026, dated June 1, 1978, together with buildings and facilities as listed in the Index to Buildings and shown on Drawing No. P131P007N026, dated June 1, 1978, thereto annexed. Together with the Lessor's equipment as enumerated in the Schedule annexed thereto marked "A", and which Lease was renewed and amended by agreements supplemental thereto dated November 8, 1983, January 15, 1985, October 31, 1986, January 19, 1990, May 26, 1994 and June 14, 1994, respectively, all of which will by reference thereto at length and more fully appear,

CONSENTS to the Sub-Lease dated the sixteenth day of December, 1994, annexed hereto marked "A" made between -

CITY OF KELOWNA

"Sub-Lessor"

- and -

NORTHERN AIR SUPPORT LTD.

"Sub-Lessee"

- and -

MR. D. ECCOTT

"Guarantor"

(hereinafter called "Sub-Lease") of a portion of the Lease, **IN SO FAR ONLY** as the terms of the Sub-Lease are within the terms of the Lease.

BY SUCH CONSENT, HOWEVER, Her Majesty the Queen in right of Canada shall not be deemed to have waived compliance and observance on the part of the Province, its executors, administrators, successors and assigns, of any of the covenants, conditions and reservations in the Lease to be complied with, observed and performed on their or any of their parts, nor to have waived, impaired or restricted in any way whatsoever any of the rights or remedies of Her Majesty the Queen in respect of the Lease or the property or rights thereby leased or to have approved of the form or any of the terms of the Sub-Lease except insofar as such terms are within the terms of the Lease.

It is hereby expressly declared that the sole object, purport and effect of this Consent is merely to meet the requirements of clause four of the Lease and no action shall be taken or things done or maintained, under, by virtue of, or in connection with the Sub-Lease that may prejudice, impair or affect in any way whatsoever any of the rights or remedies of Her Majesty the Queen in right of Canada.

DATED AT OTTAWA, Ontario this 18th day of January, One thousand nine hundred and ninety-five.

Michael G. Redmond
for Minister of Transport

TRIPPLICATE ORIGINAL

"A"

KELOWNA AIRPORT

LAND SUB-LEASE

BETWEEN

THE CITY OF KELOWNA

AND

NORTHERN AIR SUPPORT LTD.

(YLW FILE NO. 5156-65)

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ATTACHMENTS

Drawing No. 9732LSE.DWG

THIS INDENTURE made this 16 day of Dec One thousand nine hundred and ninety 94.

BETWEEN:

THE CITY OF KELOWNA, a municipal corporation having its Municipal Offices at 1435 Water Street in the City of Kelowna, Province of British Columbia (hereinafter called "Lessee" or "the City"),
OF THE FIRST PART

-and-

NORTHERN AIR SUPPORT LTD.
1695B Powick Road, Kelowna, British Columbia, V1X 4L1
(hereinafter called "the Sub-Lessee"),
OF THE SECOND PART

- and -

MR. D. ECCOTT, Businessman of Kelowna, B.C.
(hereinafter called "the Guarantor")
OF THE THIRD PART

WHEREAS:

- A. The City of Kelowna entered into a lease (hereinafter referred to as "the Head Lease") with Her Majesty dated the first day of December 1979, and registered with the Department of Transport, as No. 109806 wherein granted to the City of Kelowna all and singular that certain parcel of land situate, lying and being in the province of British Columbia, Osoyoos Division, Yale District, consisting of Lot 3 - Registered Plan 11796, District Lot 120 - Plan 1929, Lot 7 - Registered Plan 1502, comprising all of Kelowna Airport;
- B. The Sub-Lessee is desirous of leasing from the Lessee part of the Lessee's Land for aviation purposes;
- C. The City of Kelowna is desirous of sub-leasing a portion of the Kelowna Airport to the Sub-Lessee on the terms and conditions contained herein;
- D. The approval of the Department of Transport shall be obtained for the Sub-Lease herein.

WITNESSETH that the Lessee, in consideration of the rents, covenants, provisos and conditions hereinafter reserved and contained, has demised and sub-leased, and, by this Sub-Lease, demises and leases to the Sub-Lessee:

ALL AND SINGULAR that certain parcel of land (hereinafter referred to as "the said land") situate, lying and being comprised, in the Kelowna Airport (hereinafter referred to as "the said airport") at Kelowna, in the Province of British Columbia; the said land comprising an area of 41,119 square feet, more or less, and being more particularly shown as area "A" on Drawing No. 9732LSE.Dwg hereto annexed.

AND the Parties agree as follows:

ARTICLE 1
DEFINITIONS

- (1) The word "Lessor" when used herein shall mean the Sovereign and shall include the Successors and Assigns of the Sovereign;
- (2) The words "City" or "Lessee" when used herein shall mean the City of Kelowna.
- (3) The word "Sub-Lessee" or other words relative thereto, or of like import, shall mean and include, irrespective of gender or number, the party or parties of the second part as above designated or described, and their or any of their executors, administrators, successors or assigns;
- (4) The word "Minister" shall mean the person holding the position, or acting in the capacity, of the Minister of Transport, for the time being and shall include the person holding the position, or acting in the capacity, of the Deputy Minister of Transport, for the time being;
- (5) The words "Airport Manager" shall mean the person holding that position, or acting in the capacity, of the Airport Manager of the Kelowna Airport, for the time being.

ARTICLE 2
PURPOSE

The said land shall be used as a site for a metal clad aircraft hangar (hereinafter referred to as "the said building") and the said land and the said building shall be used for aviation purposes and for no other purpose or purposes whatsoever.

FAX

To: Audrey
 Dept.: Northern Air Support
 Fax No.: 861-3649
 No. of Pages: 3
 From: Susan Aitken
 Date: January 9/95
 Company: Kelowna Airport
 Fax No.: 765-0213
 Comments: _____

ARTICLE 3
TERM

3.01 LENGTH OF TERM

The Sub-Lessee shall have and hold the said land, from and after the 1st day of January, 1995 for a period of five years, less a day, up to and including December 30th, 1999 and then to be complete and ended.

3.02 OVERHOLDING TENANCY

It is hereby agreed by and between the parties hereto that if the Sub-Lessee shall hold over after the expiration of the term hereby granted and the Lessee shall accept rent, the new tenancy thereby created shall be a tenancy at will and not a tenancy from year to year, and the Sub-Lessee shall pay as rent during the time of such occupancy a rent to be determined at the discretion of the Lessee, and shall be subject to the covenants and conditions herein contained so far as the same are applicable to a tenancy at will.

3.03 CANCELLATION PRIVILEGE

If by reason of fire, flood, lightning, tempest, earthquake, impact of aircraft, explosion, or Acts of God, or the Queen's enemies the said building shall, at any time during the term hereby granted be destroyed or so damaged as to render the said building unfit for occupancy, the Sub-Lessee will, then, have a period of ninety (90) days after such damage or destruction within which to decide whether or not it will repair or rebuild. If the Sub-Lessee decides not to rebuild or repair, it may terminate this Sub-Lease by notice, in writing, given to the Lessee within the said ninety (90) day period; provided, however, that in the event of such notice being given to the Lessee pursuant to this clause, the rent reserved to the Lessee under this Sub-Lease shall be due and payable up to the date of removal of the said building and clearance and levelling of the said land to the satisfaction of the Lessee.

3.04 SURRENDER OF PREMISES

At the expiration or sooner determination of the term of this Sub-Lease, the Sub-Lessee shall peaceably surrender and yield to the Lessee, in a condition satisfactory to the Lessee, the said land and the said building. The Sub-Lessee shall thereupon forthwith remove from the said land and the said building all chattels, goods, supplies, articles, equipment, materials, effects or things and shall also, to the satisfaction of the Lessee, repair all and every damage and injury occasioned to the premises of the Lessee by reason of such removal or in the performance thereof, but the Sub-Lessee shall not, by reason of any action taken or things performed or required under this clause, be entitled to any compensation whatever. Unless required by the Lessee, no chattels, goods, supplies, articles, equipment, materials, effects or things shall be removed from the said land or the said building until all rent due or to become due under this Sub-Lease is fully paid. The City may, at its option, remove at the risk of and at the cost and expense of the Sub-Lessee, the chattels, goods, supplies, articles, equipment, materials, effects or things from the said land or the said building and the Sub-Lessee shall

reimburse the Lessee forthwith upon receipt of appropriate accounts therefor and for any storage charges which may have been or will be incurred by the Lessee as a result of such removal. Where not removed by the Sub-Lessee, the Lessee may consider the chattels, goods, supplies, articles, equipment, materials, effects or things to be abandoned, and take title thereto in the name of the Lessee.

3.05 RENEWAL

That if, at the expiration of the term by these Presents created, the Sub-Lessee shall desire a renewal of these Presents for a term of five (5) years, or any lesser term, the Sub-Lessee shall at least three (3) months before such expiration give notice in writing of such desire to the Lessee and if it shall then appear that all rent or other sums or charges due or payable by virtue of these Presents have been fully paid and that the Sub-Lessee has on its part observed and performed all the covenants, provisos, conditions and reservations in these Presents contained, the Lessee shall grant to the Sub-Lessee a renewal or extension of this Sub-Lease for a term not exceeding five (5) years commencing December 31st, 1999 and in like manner, at the expiration of such second term, for a third term of five (5) years, commencing December 31st, 2004 and in like manner, at expiry of such third term, for a fourth term of five (5) years, commencing December 31st, 2009 and in like manner, at the expiration of such fourth term, for a fifth term of five (5) years, commencing December 31st, 2014, subject to the covenants, provisos, conditions and reservations herein contained, except however, that the rental to be paid during such renewal periods, may be fixed and determined by the City of Kelowna at the time of such renewal at any greater or other rate than herein reserved and that such renewed Sub-Lease shall not contain any provision or clause for further or other renewal; and the Sub-Lessee hereby covenants and agrees that such revised rental shall be due and payable effective as of the beginning of the term of renewal of this Sub-Lease and that any rental payment made after expiration of the term by these Presents created or after the expiration of any renewal thereof, in any amount other than the revised amount fixed and determined pursuant to this clause as the rental payable during such renewal term shall be a conditional installment payment only and shall be subject to adjustment after the rental for such renewal has been so fixed and determined retroactive to the first day of such renewal. It is understood and agreed that the Sub-Lessee's right to renew hereunder is contingent upon and subject to the Lessee's right to renew the Head Lease. In the event that the Lessee shall not be entitled to renew the Head Lease the Sub-Lessee's right to renew this Sub-Lease shall lapse and be at an end.

ARTICLE 4

RENT

4.01 RENT

The Sub-Lessee shall pay during the currency of this Sub-Lease to the City, in lawful money of Canada the rent as follows:

- A. for the period commencing the 1st day of January, 1995 and ending the 30th day of December, 1999, eight thousand six hundred and thirty four dollars and ninety six cents (\$8,634.96), per annum, payable in advance in monthly installments of seven hundred and nineteen dollars and fifty eight cents (\$719.58).

and;

- B. for the term or period commencing the 1st day of January, 1995 and ending the 30th day of December, 1999, an Airport Maintenance Charge, the sum of nine hundred and four dollars and fifty six cents (\$904.56), per annum, payable in advance in monthly installments of seventy five dollars and thirty eight cents (\$75.38).

4.02 PAYMENT OF RENT

The Sub-Lessee shall pay all rent herein reserved at the time and in the manner in this Sub-Lease set forth, without any abatement or deduction whatever.

4.03 INTEREST ON RENT IN DEFAULT

Without waiving any other right of action of the City in the event of default of payment of rent hereunder, in the event that the Sub-Lessee is delinquent after the date above appointed in making the payments required hereunder, the Sub-Lessee shall pay a penalty thereon at the rate of 2 percent per month or any portion of a month, (26.82 percent per annum), retroactive from the date any such amount is due and payable until paid. In order to reflect prevailing interest rates, the City will review and adjust the interest rate from time to time.

4.04 DETERMINATION AND FIXING OF RENT

- (1) In this Sub-Lease

"Market Rent" means the highest fixed annual rent estimated in terms of lawful money of Canada, which the said land would bring as vacant land if offered for lease on the open market in Kelowna, British Columbia:

- (a) a reasonable time is permitted to find a willing Sub-Lessee;
- (b) neither the Lessee nor the Sub-Lessee is acting under compulsion;
- (c) both the Lessee and the Sub-Lessee have full knowledge of the purpose for which the said land is or is to be utilized;

- (d) the purpose for which the said land is or is to be utilized represents the highest and best use thereof; and
- (e) the Sub-Lessee shall be responsible for all costs, expenses, payments and expenditures so as to secure to the Lessee a net rent free and clear from all deductions, abatement or set-off throughout the term.

"Appraiser" means a person who is experienced as an appraiser of real estate and is either established in such business or employed in the Public Service of Canada in such capacity.

"Market Rent Appraisal" means a written opinion of Market Rent obtained from an Appraiser.

- (2) Rents to be paid during renewal periods shall be fixed and determined by the City based on Market Rent as determined by a Market Rent Appraisal.

4.05 AIRPORT MAINTENANCE CHARGE

That the airport maintenance charge provided herein will be reviewed by the Lessee after five (5) years from the date hereof, and the said charge may be changed at the beginning of each one (1) year period under the Sub-Lease in accordance with the policies of the Lessee applicable thereto then in effect. In the event that the Sub-Lessee refuses to accept such charge, this Sub-Lease may be cancelled and determined at any time by notice in writing signed by or on behalf of the City of Kelowna, and thereupon, after such written notification, this Sub-Lease shall be determined and ended.

ARTICLE 5
SUB-LEASED LAND, SERVICES AND IMPROVEMENTS

5.01 "AS IS" CONDITION

The Sub-Lessee accepts the said land in an "as is" condition and any improvements made to the said land by the Sub-Lessee at any time during the currency of this Sub-Lease, to make the said land suitable for the operations of the Sub-Lessee hereunder, shall be at the risk, cost and expense of the Sub-Lessee and to the satisfaction of the Lessee.

5.02 ACCESS

(1) The Lessee, its officers, servants or agents, shall have full and free access for inspection purposes during normal business hours and in the presence of the Sub-Lessee or a representative of the Sub-Lessee to any and every part of the said land and the said building; it being expressly understood and agreed, however, that in cases of emergency, the Lessee, its officers, servants or agents shall at all times and for all purposes have full and free access to the said land.

(2) Subject as in this Sub-Lease provided, the Sub-Lessee shall have quiet possession of the said land, and the right of ingress and egress over the airport roadways subject to rules and regulations as may be established by the Lessee respecting such use.

5.03 MAINTENANCE OF SUB-LEASED AREA

The Sub-Lessee shall, at the cost and expense of the Sub-Lessee, maintain the landscaping and paved areas on the said land and shall keep the land free of debris and neat and tidy at all times, all to the satisfaction of the Airport Manager.

5.04 ADDITIONAL RIGHTS OF THE SUB-LESSEE

The Lessee reserves the right to grant licenses, rights of way or privileges to others on, over, under, through or across the said land, provided, however, that such rights of way or privileges are not detrimental to the proper conduct of the business or operation of the said building and related services, will not damage or disrupt permanently the physical facilities of the Sub-Lessee, will not impose any cost upon the Sub-Lessee, and will not weaken, diminish or impair the security of this Sub-Lease.

5.05 SERVICES AND UTILITIES

(1) That except and subject as in this Sub-Lease otherwise specifically provided, services required to serve the said building shall be the responsibility of the Sub-Lessee and the Sub-Lessee shall make and maintain all connections required therefor, all at the cost and expense of the Sub-Lessee and to the satisfaction of the Lessee.

(2) The Sub-Lessee shall construct improvements on the said land in such manner that the surface drainage water on the said land will be discharged into the Lessee's drainage

system, and plans for the construction of storm drainage services shall be subject to the approval in writing, of the Airport Manager prior to installation of such services, for compatibility with the field drainage channels serving the said land, all at the cost and expense of the Sub-Lessee.

- (3) The Sub-Lessee shall, at the cost and expense of the Sub-Lessee, provide complete and proper arrangements for the adequate sanitary handling and disposal away from the said airport of all trash, garbage and other refuse on or in connection with the Sub-Lessee's operations under this Sub-Lease, all to the satisfaction of the Airport Manager. Piling of crates, cartons, barrels or other similar items shall not be permitted in a public area on the said airport.
- (4) The plans and specifications for installation of all services must be approved by the Airport Manager and the work performed under the supervision of a designated officer of the Airport Manager.

5.06 TEMPORARY SUSPENSION OF SERVICES

Without limiting or restricting the generality of the provisions of Clause 7.01 hereof, the Sub-Lessee shall not have nor make any claim or demand, nor bring any action or suit or petition against the Lessee or any of its officers, servants or agents for any damage which the Sub-Lessee may sustain by reason of any temporary suspension, interruption or discontinuance, in whole or in part from whatever cause arising in service supplied by the Lessee hereunder.

5.07 REASONABLE USE

The Sub-Lessee shall not, during the currency of this Sub-Lease, do, suffer nor permit to be done any act or thing which may impair, damage or injure the said land, the said building or any part thereof, beyond the damage occasioned by reasonable use, and shall, at the cost and expense of the Sub-Lessee, repair and renew in a good, sufficient and workmanlike manner all portions of the said land or the said building which may at any time by the Sub-Lessee be damaged (ordinary wear and tear only excepted) and in the event of the failure on the part of the Sub-Lessee to so repair and renew, the Sub-Lessee shall indemnify and save harmless the Lessee from all damages, costs and expenses suffered or incurred by the Lessee by reason of such impairment, damage or injury to the extent the Sub-Lessee is liable for the same in law, such payment to be made forthwith upon receipt of appropriate accounts therefor.

5.08 NUISANCE

The Sub-Lessee shall not do, suffer or permit to be done any act or thing upon or above the said land or the said building which is or would constitute a nuisance to the occupiers of any lands or premises adjoining or in the vicinity of the said land or the said building or to the public generally.

5.09 ENVIRONMENTAL PROTECTION STATUTES

The Sub-Lessee shall accede to and abide by Federal Environmental Protection Statutes and regulations and by-laws and any regulations thereto and appropriate Provincial, Territorial and/or City of Kelowna or local Environmental Protection Statutes and regulations and by-laws.

5.10 POLICE AND FIRE PROTECTION

The Lessee shall not be responsible for providing fire protection to nor policing of, the said land, the said building and any improvements.

5.11 FIRE PREVENTION

The Sub-Lessee shall, at the expense of the Sub-Lessee, take all precautions to prevent fire from occurring in or about the said land and the said building, and shall observe and comply with all laws and regulations in force respecting fires at the said airport, and with all instructions given from time to time by the Airport Manager with respect to fires and extinguishing of fires.

5.12 ADVERTISING

The Sub-Lessee shall not construct, erect, place or install on the outside of the said building or on the said land any poster, advertising sign or display, electrical or otherwise, without first obtaining the consent, in writing, of the Airport Manager.

5.13 DRAINAGE AND DISCHARGE OF MATERIAL

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

5.14 INTERCEPTORS

If required by the City of Kelowna, grease, oil and sand interceptors shall be provided by the Sub-Lessee. All interceptors shall be of a type and capacity approved by the City and shall be readily accessible for cleaning and inspection. Such interceptors shall be maintained by the Sub-Lessee, at the expense of the Sub-Lessee, in continuous, efficient operation at all times.

5.15 REPAIR OF DAMAGE

If, at any time or times hereafter, any damage or injury (ordinary wear and tear only excepted) should be occasioned to the said land, the said building, or any part thereof, or to any works of the Lessee on the said airport by reason of or on account of the operations of the Sub-Lessee hereunder or any action taken or things done or maintained by virtue thereof, then, and in every such case, the Sub-Lessee shall, within a reasonable time upon notice thereof from the City given in writing, repair, rebuild and restore the same in good, sufficient and workmanlike manner; in the event of failure on the part of the Sub-Lessee to so repair the City may, at its option, repair such damage or injury in which case the Sub-Lessee shall repay and reimburse the Lessee for all costs and expenses connected therewith or incidental thereto to the extent the Sub-Lessee is liable for the same in law plus such additional charge as may be applicable in accordance with the policies of the Lessee for administration and overhead forthwith upon receipt by the Sub-Lessee of appropriate accounts therefore from the Lessee. In the event of failure on the part of the Sub-Lessee to repair such damage or injury and in the event of non repair by the Lessee, the Sub-Lessee shall remain liable to the Lessee for the amount of such damage or injury to the extent the Sub-Lessee is liable therefor in law and payment of such amount shall be made by the Sub-Lessee to the Lessee forthwith, upon receipt by the Sub-Lessee of appropriate accounts therefor from the Lessee.

5.16 ERECTION AND MAINTENANCE OF BUILDINGS OR STRUCTURES

- (1) The Sub-Lessee shall not construct or erect any building or other structures on the said land without first obtaining the written approval of the City of Kelowna, of plans showing the design and nature of construction of such building or structures and their proposed location, and all such buildings or structures shall be constructed and thereafter maintained by and at the cost and expense of the Sub-Lessee to the satisfaction of the Airport Manager.
- (2) If, at any time during the term of this Sub-Lease, the Sub-Lessee defaults in its obligation of maintaining the said land and the said building, structures and improvements, and every of them, in accordance with the requirements of this Sub-Lease, the Airport Manager may give written notice, specifying the respect in which such maintenance is deficient, to the Sub-Lessee. If, within fifteen (15) days from the giving of such notice the default specified in such notice has not been remedied or (if the nature of such default reasonably requires more than fifteen (15) days to remedy and make right) the Sub-Lessee has not commenced, or, having commenced, is not diligently completing the remedying of such default, or if such maintenance is not of a type satisfactory to the Airport Manager, the Lessee may enter upon the said land and the said building, structures and improvements and perform such maintenance, at the cost and expense of the Sub-Lessee, plus such additional charge as may then be applicable, in accordance with the policies of the Lessee for administration and overhead; it being expressly understood and agreed that the Lessee shall not be under any obligation to perform any maintenance during the term of this Sub-Lease.

5.17 VESTING OF REPAIRS, ALTERATIONS, IMPROVEMENTS OR REPLACEMENTS

Any repairs, alterations, improvements or replacements made by the Sub-Lessee to or upon the said land and the said building which by their nature are determined to be fixtures shall upon termination of this Sub-Lease, except and subject as in this Sub-Lease otherwise specifically provided, be vested in title in the Lessee without any payment of compensation to the Sub-Lessee in respect of the repairs, alterations, improvements or replacements; nevertheless the Lessee shall have the option of requiring or compelling the Sub-Lessee upon written notice, to remove such repairs, alterations, improvements or replacements, and the Sub-Lessee shall be so bound to remove and shall restore the said land to its original condition all at the cost and expense of the Sub-Lessee and without any right on the part of the Sub-Lessee to seek compensation for any reason whatsoever.

5.18 PAYMENT OF TAXES

- (1) The Sub-Lessee shall pay or cause to be paid all rates, taxes and assessments, of whatsoever description, that may at any time during the existence of this Sub-Lease be lawfully imposed, and become due and payable, upon, or in respect of the said land, the said building, or any part thereof.
- (2) The Sub-Lessee shall pay any business tax, value added tax, multi-stage sales tax, sales tax, goods and services tax or any other tax lawfully imposed on any rent receivable by the Lessee hereunder by any governmental or other taxing authority having jurisdiction, whether known as business transfer tax, value added tax, goods and services tax, or by any other name.

5.19 COMPLIANCE WITH REGULATIONS

- (1) That the Sub-Lessee shall in all respects comply with all laws, rules and regulations of the Federal Government, Provincial Government and all by-laws and regulations of the Lessee and any other governing body whatsoever and shall comply with all local police, health, or fire regulations or by-laws, in any manner affecting the business of the Sub-Lessee, the said land, the said building and the operations of the Sub-Lessee hereunder. In agreeing to comply with all by-laws and regulations of the Lessee the Sub-Lessee does so voluntarily as a matter of commercial expedience, without protest, without any demand by the Lessee and without qualification by any condition. Further the Sub-Lessee agrees that compliance with all by-laws and regulations of the Lessee is a fundamental term of this agreement and that any breach of this term entitles the Lessee to terminate this agreement.
- (2) That the Sub-Lessee shall abide by and comply with all regulations regarding traffic control, airport security, sanitation and all other regulations relative to the management and operation of the said Airport.

5.20 DEFECT OF TITLE

That it is an express condition of this Sub-Lease that the Sub-Lessee shall not have any recourse against the Lessee should the Lessee's title to the said land be found to be defective, or should these Presents prove ineffectual by reason of any defect in such title.

5.21 DESCRIPTION OF FACILITIES AND BUILDING

- (1) The Sub-Lessee covenants and agrees with the Lessee within a reasonable time after the grant of this Sub-Lease to commence the construction of and complete a metal clad aircraft hangar and associated aircraft and vehicle parking facilities expeditiously and in good and workmanlike manner and in accordance with the detail plans and provisions of this Clause and in particular:
 - (a) to cause the facilities and building to be substantially completed, in accordance with sub-clause (2) of this Clause not later than the 30th day of June 1995; but subject to extensions of time granted pursuant to sub-clause (3) of this Clause;
 - (b) to cause the facilities and building to be fully completed and in accordance with all the provisions of this Sub-Lease expeditiously thereafter (save for delays beyond the reasonable control of the Sub-Lessee).
- (2) (a) For the purposes of this Clause the facilities, buildings and improvements shall be deemed to have been substantially completed when the Airport Manager has determined to his satisfaction that:
 - (i) all work of a structural nature has been properly completed;
 - (ii) all facility, building equipment and services, including elevators (if any), heating and air conditioning systems and utilities, have been completed and are operating properly and available for use by the occupants of the building and facilities; all lobbies, stairwells and other areas intended for the common use of occupants of the building and facilities are completed except for work of a decorative or superficial nature, which is both minor in character and of a type which, owing to the likelihood of damage, is reasonably to be deferred until the building and facilities are partially or substantially occupied;
 - (iii) all building space is completed for occupancy except for work of a superficial nature which is dependent upon the individual Sub-Lessee's requirements as yet unascertained (such as painting and the installation of lighting fixtures, dividing partitions and tenant's fixtures) and work which is reasonably and customarily allocated to the Sub-Lessee's to complete;
 - (iv) all areas are clean and all surplus building material and rubbish removed;

- (v) the building and facilities generally are in a condition in which they can be occupied and any work that is still unfinished is such as can be completed promptly and is work to whose incompletion a reasonable Sub-Lessee would not object; and
 - (vi) the building and facilities shall have been completed in all respects in a good and workmanlike manner in accordance with the detail plans except for any requirements of the detail plans which have been waived or varied by the Lessee in writing and for faults and defects which, in the opinion of the Lessee, are minor and the correction of which is adequately assured.
- (b) For the purpose of this Sub-Lease the date of completion of the building and facilities shall be the date upon which all of the following conditions shall have been fulfilled:
- (i) the building and facilities shall have been substantially completed to the satisfaction of the Lessee pursuant to paragraph (a) of this subclause;
 - (ii) this Sub-Lease shall not have been terminated and there shall be no existing material breach by a Sub-Lessee of any obligation under this Sub-Lease; and
 - (iii) there shall be no claims outstanding in respect of the construction of the facilities save for claims for completion payments by contractors not exceeding any amounts which the Sub-Lessee may reasonably retain to ensure the correction of deficiencies in the construction of the building and facilities and completion of such part or parts of such construction the completion of which has been deferred by reason of weather condition, or which the Lessee is required or permitted to retain under the provisions of this Sub-Lease; and except for amounts required or permitted to be so retained, all accounts for work and materials shall have been paid; and no building fixtures, or equipment on the lands (save for usual tenant's fixtures normally removable by Sub-Lessee's and to which the Sub-Lessee does not have title and any fixtures not forming part of the structure of the building or any building services) shall be subject to any conditional sale agreement or to any lien, encumbrance or claim not expressly permitted by this paragraph.

For the purpose of establishing the completion date the Lessee (but not the Sub-Lessee) shall have the right to waive any of the conditions set out in this paragraph (b) in whole or in part, but no such waiver of the conditions or of any of the foregoing provisions shall relieve the Sub-Lessee of its obligations to perform its covenants hereunder.

- (3) If the Sub-Lessee:
- (a) from and after the date of commencement of the term of this Sub-Lease proceeded with due diligence to construct the building in accordance with the provisions of this Sub-Lease and is not in default in payment of rent or the performance of the obligations of this Sub-Lease; and
 - (b) has been delayed in constructing the building by reason of strikes, lockouts, governmental restrictions, Acts of God, unavailability of material and labour and similar causes, all being beyond the control of the Sub-Lessee, and the delays are such as to render it unlikely or uncertain that the building will be substantially completed by the date specified in paragraph (1)(a) of this Clause; and
 - (c) has used all reasonable diligence to overcome such delays and proceeded with the construction of the building to the extent possible, then the Sub-Lessee may at any time before the date of completion of the building apply to the Lessee for and obtain by way of duly executed supplemental agreement to Sub-Lease, an extension of the time for compliance with paragraph (1)(a) of this Clause by a period, not longer than the length of the delay imposed by the causes beyond the Sub-Lessee's control, which will reasonably be required for the Sub-Lessee substantially to complete the said building and facilities with reasonable diligence, such application to be accompanied by a statement, signed by the Sub-Lessee certifying:
 - (i) the length of time required for the substantial completion of the building with reasonable diligence;
 - (ii) the length of the delay imposed by causes beyond the Sub-Lessee's control;
 - (iii) that these causes were beyond the Sub-Lessee's control; and
 - (iv) that the delay will be likely to prevent compliance with the paragraph (1)(a) of this Clause by the date specified therein notwithstanding exercise of reasonable diligence by the Sub-Lessee, and in such event the Lessee shall grant to the Sub-Lessee an extension of the time specified in paragraph (1)(a) of this Clause, equal to the shorter of the two lengths of time referred to in items (i) and (ii) above, and shall from time to time grant further extensions of the date for completion if application is made during the currency of any extension already granted and is accompanied by a like certificate of the Sub-Lessee, provided always that in no event shall the Sub-Lessee be entitled to an extension beyond the date upon which the second year of the Sub-Lease extension expires.

- (4) The Sub-Lessee shall obtain, before the commencement of construction of the said building and facilities, the Lessee's approval in writing, of the detail plans, including without limiting the generality of the foregoing, the drawings, elevations, specifications, (including materials to be used) location on the Sub-Leased lands and cost estimates and phasing or construction time schedule for the building and facilities, all access points for construction purposes, all proposed vehicular and pedestrian entrances and exits to and from the Sub-Leased lands and all boardings required to be erected.

5.22 ENFORCEMENT

Notwithstanding the provisions of 9.01 any failure by the Sub-Lessee to comply with the specific obligations of the Sub-Lessee to construct and to complete construction of the building and facilities, as set out in 5.21 of the Sub-Lease herein, shall constitute a breach of the conditions of this Sub-Lease and shall be subject to the cancellation of this Sub-Lease without any right on the part of the Sub-Lessee to seek compensation.

In the event of non-compliance with any of the specific obligations of the Sub-Lessee to construct and complete construction of the building and facilities herein then, and in every such case, provided reasonable steps have not been taken to cure any such breach within thirty (30) days from the date of notice in writing or such other notice as may be specified thereof from the Lessee to the Sub-Lessee and signed by or on behalf of the Lessee, the Lessee may terminate this Sub-Lease by giving the Sub-Lessee thirty (30) days written notice of its intention to terminate signed by or on behalf of the Lessee, during which time the Sub-Lessee will no longer be permitted to cure the breach or non-observance; and thereupon after the expiration of such period of notification this Sub-Lease shall be determined and ended without any further notice or delay.

The Lessee shall have the option of requiring or compelling the Sub-Lessee, upon written notice, to remove such buildings, facilities and structures, and the Sub-Lessee shall be so bound to remove and shall restore the said land and said building to its original condition at its own cost and expense and without any right on the part of the Sub-Lessee to seek compensation for any reason whatsoever.

ARTICLE 6
ASSIGNMENT

The Sub-Lessee shall not make any assignment of this Sub-Lease, nor any transfer or sub-lease of the whole or any portion of the said land demised or sub-leased hereunder, without obtaining the prior consent in writing of the City of Kelowna to such assignment, transfer or sub-lease, such consent not to be unreasonably withheld.

ARTICLE 7
LIABILITY AND INDEMNITY

7.01 CLAIM OR DEMAND

The Sub-Lessee shall not have any claim or demand against the City and/or any of its officers, servants or agents for detriment, damage, accident or injury, of any nature whatsoever or howsoever caused to the Sub-Leased land, or to any person or property, unless such damage or injury is due to the negligence of the City and/or any of its officers, servants or agents while acting within the scope of his/her duties or employment.

7.02 INDEMNITY

That the Sub-Lessee shall at all times indemnify and save harmless the Lessor, the Lessee and/or any of its officers, servants or agents from and against all claims and demands, loss, costs, damages, actions, suits or other proceedings by whomsoever made, brought or prosecuted, in any manner based upon, occasioned by or attributable to the execution of these Presents, or any action taken or things done or maintained by virtue hereof, or the exercise in any manner of rights arising hereunder, except claims for damage resulting from the negligence of the City and/or any of its officers, servants or agents while acting within the scope of his/her duties or employment.

ARTICLE 8
INSURANCE

- (1) The Sub-Lessee shall place and at all times maintain during the currency of this Sub-Lease public liability and property damage insurance in an amount not less than TWO MILLION DOLLARS (2,000,000.00) against claims for personal injury, death or loss or damage to property arising out of any of the operations of the Sub-Lessee under this Sub-Lease, or of the acts or omissions of the Sub-Lessee or any of his agents, employees or servants; such insurance shall be with a company or companies acceptable to the Lessee and all policies for such insurance shall be in an amount and in a form satisfactory to the Lessee.
- (2) The Sub-Lessee shall place and at all times maintain during the currency of this Sub-Lease, insurance against fire with respect to the said building or other structures constructed on the said land by the Sub-Lessee to provide for full replacement value of such buildings or other structures.
- (3) The City of Kelowna is to be named insured on all policies and the Sub-Lessee shall submit such policy or policies or certified copies thereof and any renewals thereof to the City of Kelowna for review and approval together with proof of payment of the premiums therefor.
- (4) The Sub-Lessee shall not do or omit to do or suffer anything to be done or omitted to be done on the said land which will in any way impair or invalidate such policy or policies. Every policy shall contain a provision that written notice of cancellation shall be given to the City of Kelowna.
- (5) The "deductible" for any insurance policy under the section shall not exceed FIVE THOUSAND DOLLARS (\$5,000.00) per claim.

ARTICLE 9
DEFAULT AND RE-ENTRY

9.01 DEFAULT AND RE-ENTRY

- (1) It is expressly agreed that:
- (a) if the Sub-Lessee shall be in default in the payment of rent or amounts collectable hereunder as rent, whether lawfully demanded or not, and such default shall continue for a period of 15 days after the rent has become due and payable; or
 - (b) if the Sub-Lessee shall be in default of any of its covenants or agreements hereunder (other than its covenant to pay rent or amounts collectable hereunder as rent) and such default shall continue for a period of 30 days (or such longer period as may be reasonably necessary to cure such default considering the nature thereof) after notice by the Lessee to the Sub-Lessee specifying with reasonable particularity the nature of such default and requiring the same to be remedied; or
 - (c) if the default set out in the notice given to the Sub-Lessee by the Lessee pursuant to paragraph (b) reasonably requires more time to cure than the thirty (30) day period referred to in that paragraph and the Sub-Lessee has not commenced remedying or curing the same within the thirty (30) day period or; in the opinion of the Lessee fails to diligently complete the same within a reasonable time; or
 - (d) if the Sub-Lessee shall make an assignment for the benefit of creditors, or shall make an assignment or have a receiving order made against it under the Bankruptcy Act, or becoming bankrupt or insolvent shall make application for relief under the provisions of any statute now or hereafter in force concerning bankrupt or insolvent debtors, or any action whatsoever, legislative or otherwise shall be taken with a view to the winding-up, dissolution or liquidation of the Sub-Lessee;

then the current month's rent together with the rent for the three months next ensuing shall immediately become due and payable, and at the option of the Lessee the term hereby granted shall become forfeited and void, and the Lessee may without notice or any form of legal process whatsoever forthwith re-enter upon the said land, the said building or any part thereof in the name of the whole and repossess and enjoy the same as of its former estate, anything contained in any statute or law to the contrary notwithstanding.

- (2) Forfeiture of this Sub-Lease by the Sub-Lessee shall be wholly without prejudice to the right of the Lessee to recover arrears of rent or damages for any antecedent breach of covenant on the part of the Sub-Lessee, and notwithstanding any such forfeiture the Lessee may subsequently recover from the Sub-Lessee damages for loss of rent suffered by reason of the Sub-Lease having been determined prior to the end of the term of this Sub-Lease as set out herein and this clause and the rights hereunder shall survive the termination of this Sub-Lease whether by act of the parties or by operation of law.

9.02 LIEN

The Lessee shall have a lien upon the chattels, goods, supplies, articles, equipment, materials, effects or things of the Sub-Lessee for any loss or damage arising by reason of the breach of any of the conditions or provisions hereof, or the failure on the part of the Sub-Lessee to comply therewith.

9.03 BANKRUPTCY

That, notwithstanding anything in this Sub-Lease contained, if the Sub-Lessee becomes bankrupt or insolvent or makes an assignment for the benefit of the Sub-Lessee's creditors, or takes the benefit of any winding up or insolvency act, then, in each and any of such cases this Sub-Lease shall be and become by any of such acts, absolutely forfeited and terminated, and the Lessee shall be entitled to take the steps in such cases provided.

ARTICLE 10
GENERAL

10.01 BRIBES

The Sub-Lessee hereby confirms that it has not, nor has any person on its behalf, given, promised or offered to any official or employee of the Lessee for or with a view to obtaining this Sub-Lease any bribe, gift or other inducement and that it has not, nor has any person on its behalf, employed any person to solicit or secure this Sub-Lease upon any agreement for a commission, percentage, brokerage or contingent fee.

10.02 MEMBERS OF THE HOUSE OF COMMONS

No Member of the House of Commons of Canada shall be admitted to any share or part of this Sub-Lease, or to any benefit to arise therefrom.

10.03 HEADINGS

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

10.04 DIFFERENCES

All matters of difference arising between the Lessee and the Sub-Lessee in any matter connected with or arising out of this Sub-Lease whether as to interpretation or otherwise, shall be determined by the Lessee but without prejudice to any recourse available under law.

10.05 EFFECT OF SUB-LEASE

This Sub-Lease and everything herein contained shall enure to the benefit of and be binding upon the successors and assigns, as the case may be, of each of the parties hereto, subject to granting of consent by the Lessee as provided herein to any assignment, transfer or sublease of this Sub-Lease, and where there is a male, female or corporate party, the provisions hereof shall be read with all grammatical changes to gender and number required by the context, and all covenants and obligations shall be deemed joint and several.

10.06 PROVISIONS SEPARATELY VALID

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

10.07 WAIVER NEGATED

The failure by the Lessee or its authorized representative, as the case may be, to require the fulfillment of the obligations, or to exercise any rights herein contained shall not constitute a waiver, a renunciation or a surrender of those obligations or rights.

10.08 NO IMPLIED OBLIGATIONS

No implied terms or obligations of any kind by or on behalf of the Lessee shall arise from anything in this Sub-Lease and the express covenants and agreements herein contained and made by the Lessee are the only covenants and agreements upon which any rights against the Lessee may be founded.

10.09 ENTIRE AGREEMENT

This Sub-Lease shall be deemed to constitute the entire agreement between the Lessee and the Sub-Lessee hereto with respect to the subject matter hereof and shall supersede all previous negotiations, representations, and documents in relation hereto made by any party to this Sub-Lease.

ARTICLE 11
NOTICES

- (1) Whenever in this Sub-Lease, it is required or permitted that notice or demand be given or served by either party of this Sub-Lease to or on the other, such notice or demand will be in writing and will be validly given or sufficiently communicated if forwarded by registered mail, priority post mail, telegram, telex, or facsimile as follows:

To the City: City Clerk
 City of Kelowna
 1435 Water Street
 Kelowna, B.C.
 V1Y 1J4
 Telephone: (604) 862-3308
 Fax: (604) 862-3399

To the Sub-Lessee: Northern Air Support Ltd.
 1695B Powick Road
 Kelowna, B.C.
 V1X 4L1
 Telephone: (604) 861-8676
 Fax: (604) 861-3649

*New address as
of July 19/95
6285 Kelowna
Airport
see letter in
file SA.*

- (2) Such addresses or facsimile numbers may be changed from time to time by either party giving notice as above provided.
- (3) If any question arises as to whether any notice was or was not communicated by one party to the other, it shall be deemed to have been effectively communicated or given on the day received or on the fifth day after it was mailed or sent, whichever is the earlier.

ARTICLE 12
HEAD LEASE

12.01 HEAD LEASE COVENANT

The Sub-Lessee hereby covenants that they will perform and observe all the covenants on the part of the City under the provisions of the Head Lease other than the covenant to pay rent thereunder and other than covenants relating to the premises other than these sub-premises, and will keep the City indemnified against all actions, expenses, claims and demands in respect of such covenants except as aforesaid.

12.02 HEAD LEASE TERMINATION

Upon the termination of the Head Lease for whatsoever reason and provided that each of the following conditions exist:

- (1) the termination of the Head Lease is not in any manner disputed;
- (2) the City has yielded up vacant possession to the Lessor (the Department of Transport) of the Lease area;
- (3) the Sub-Leases immediately preceding the termination of the Head Lease are in full force and effect and the Sub-Lessees at the termination of the Head Lease were not, or are not, in default or breach of their respective Sub-Leases;
- (4) the Lessor is not legally prohibited by reason of defect in title, adverse possession, or otherwise from fulfilling the terms of any of the Sub-Leases;

the Sub-Leases then in full force and effect shall be deemed to have been assigned to the Lessor, thereby creating a new Lessor/Lessee relationship under the terms and conditions of the respective Sub-Leases as the case may be; provided, however, that the Lessor reserves the option to amend the new Lease therein created from time to time in accordance with policy or policies in effect at that time.

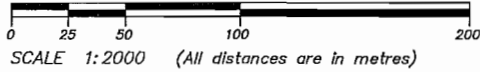
ARTICLE 13
PERSONAL GUARANTEE

The Guarantor joins in this agreement for valuable consideration and as an inducement to the Lessee agreeing to enter into this Sub-Lease. The Guarantor hereby covenants and agrees to guarantee full performance and observance of all of the terms of this agreement including, without restriction, the payment of rent, without requiring any notice of non-performance, non-payment or non-observance, the receipt of which notices the Guarantor hereby expressly waives. The liability of the Guarantor hereunder shall not be released, limited or affected in any way by reason of the assertion by the Lessee of its rights under the Sub-Lease or any forbearance, extension of time or other modification of the Sub-Lease agreed to by the Lessee and the Sub-Lessee. The Guarantor further agrees that this guarantee shall remain in full force and effect during the full term of this Sub-Lease and any renewals, modifications or extensions thereof and during any period that the Sub-Lessee may be a tenant at will.

**REFERENCE PLAN OF PART OF LOT 3,
PLAN 11796, D.L. 32 & SEC. 14,
TP. 23, O. D. Y. D.**

PURSUANT TO SEC. 99(1)(K) LTA
FOR LEASEHOLD PURPOSES

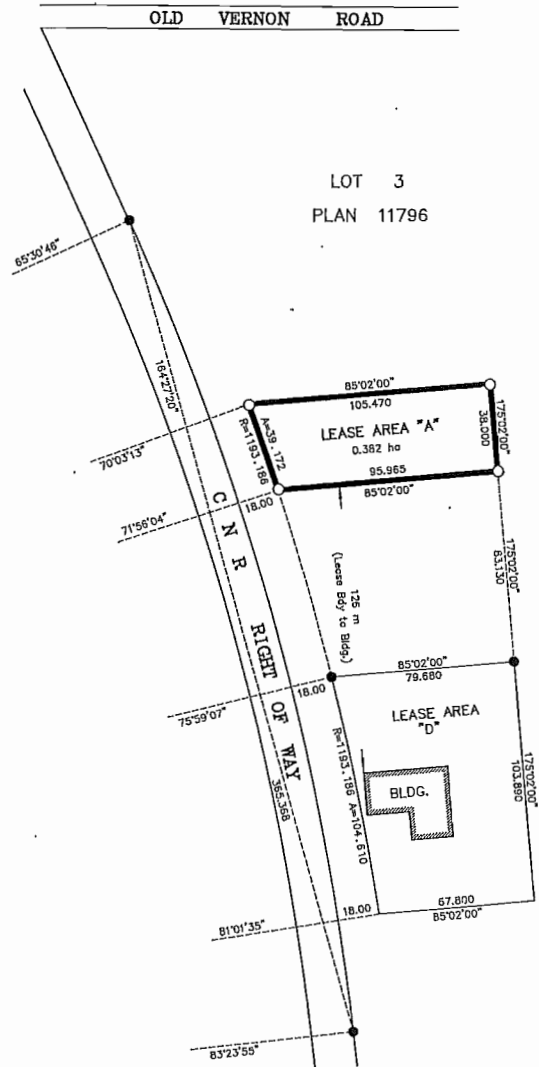
B.C.G.S. No. 82 L 094



LEGEND

Bearings are Astronomic and are derived from PLAN 11796

- - denotes standard iron post found
- - denotes standard iron post set



I, R.R. Runnalls, a British Columbia land surveyor, of the City of Kelowna, in British Columbia, certify that I was present at and personally superintended the survey represented by this plan, and that the survey and plan are correct. The survey was completed on the 23rd day of November, 1994.

R.R. Runnalls

R.R. RUNNALLS B.C.L.S.

**R. R. RUNNALLS & ASSOCIATES
B. C. LAND SURVEYORS**

No. 2 - 1470 WATER STREET KELOWNA, B. C.,
V1Y 1J5 PH 763 7322

DWG. No.: 9732LSE.DWG

FILE: 9732

This plan lies within the Regional District of Central Okanagan.

1446.6

NO. - N° _____

CONSENT TO A SUB-LEASE

between

CITY OF KELOWNA

- and -

NORTHERN AIR SUPPORT LTD.

- and -

MR. D. ECCOTT

Date of Sub-Lease	- December 16, 1994
Public Work Concerned	- Kelowna, B.C.
Description	- Sub-Lease of a portion of Lease No. 109806 (Pacific 1375) dated December 19, 1979.
Date of Consent	- JAN 10 1995

1446.6

DEPTL REFERENCE - RÉFÉRENCE DU MINISTÈRE
FILE NO - N° DU DOSSIER
AKC 5156-P131-5

MEMORANDA - NOTES

[Empty box for memoranda/notes]

TO WHOM IT MAY CONCERN

The Minister of Transport, hereby, pursuant to the fourth Clause of -

Lease No. 109806 (Pacific 1375) dated the nineteenth day of December, 1979, (hereinafter called "Lease") in which Her Majesty the Queen in right of Canada, represented therein by the Minister of Transport, granted to the City of Kelowna, in the Province of British Columbia, all and singular those certain parcels of land situate, lying and being in the province of British Columbia, Osoyoos Division, Yale District, consisting of Lot 3 - Registered Plan 11796, District Lot 120 - Plan 1929, Lot 7 - Registered Plan 1502, comprising all of the Kelowna Airport and being more particularly shown on Drawing No. P131P007N026, dated June 1, 1978, together with buildings and facilities as listed in the Index to Buildings and shown on Drawing No. P131P007N026, dated June 1, 1978, thereto annexed. Together with the Lessor's equipment as enumerated in the Schedule annexed thereto marked "A", and which Lease was renewed and amended by agreements supplemental thereto dated November 8, 1983, January 15, 1985, October 31, 1986, January 19, 1990, May 26, 1994 and June 14, 1994, respectively, all of which will by reference thereto at length and more fully appear,

CONSENTS to the Sub-Lease dated the sixteenth day of December, 1994, annexed hereto marked "A" made between -

CITY OF KELOWNA

"Sub-Lessor"

- and -

NORTHERN AIR SUPPORT LTD.

"Sub-Lessee"

- and -

MR. D. ECCOTT

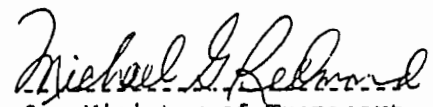
"Guarantor"

(hereinafter called "Sub-Lease") of a portion of the Lease, IN SO FAR ONLY as the terms of the Sub-Lease are within the terms of the Lease.

BY SUCH CONSENT, HOWEVER, Her Majesty the Queen in right of Canada shall not be deemed to have waived compliance and observance on the part of the Province, its executors, administrators, successors and assigns, of any of the covenants, conditions and reservations in the Lease to be complied with, observed and performed on their or any of their parts, nor to have waived, impaired or restricted in any way whatsoever any of the rights or remedies of Her Majesty the Queen in respect of the Lease or the property or rights thereby leased or to have approved of the form or any of the terms of the Sub-Lease except insofar as such terms are within the terms of the Lease.

It is hereby expressly declared that the sole object, purport and effect of this Consent is merely to meet the requirements of clause four of the Lease and no action shall be taken or things done or maintained, under, by virtue of, or in connection with the Sub-Lease that may prejudice, impair or affect in any way whatsoever any of the rights or remedies of Her Majesty the Queen in right of Canada.

DATED AT OTTAWA, Ontario this 18th day of January, One thousand nine hundred and ninety-five.


for Minister of Transport

TRIPPLICATE ORIGINAL

"A"

KELOWNA AIRPORT

LAND SUB-LEASE

BETWEEN

THE CITY OF KELOWNA

AND

NORTHERN AIR SUPPORT LTD.

(YLW FILE NO. 5156-65)

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ATTACHMENTS

Drawing No. 9732LSE.DWG

THIS INDENTURE made this 16 day of Dec. One thousand nine hundred and ninety 94.
BETWEEN:

THE CITY OF KELOWNA, a municipal corporation having its Municipal Offices at 1435 Water Street in the City of Kelowna, Province of British Columbia
(hereinafter called "Lessee" or "the City"),

OF THE FIRST PART

-and-

NORTHERN AIR SUPPORT LTD.
1695B Powick Road, Kelowna, British Columbia, V1X 4L1

(hereinafter called "the Sub-Lessee"),

OF THE SECOND PART

- and -

MR. D. ECCOTT, Businessman of Kelowna, B.C.
(hereinafter called "the Guarantor")

OF THE THIRD PART

WHEREAS:

- A. The City of Kelowna entered into a lease (hereinafter referred to as "the Head Lease") with Her Majesty dated the first day of December 1979, and registered with the Department of Transport, as No. 109806 wherein granted to the City of Kelowna all and singular that certain parcel of land situate, lying and being in the province of British Columbia, Osoyoos Division, Yale District, consisting of Lot 3 - Registered Plan 11796, District Lot 120 - Plan 1929, Lot 7 - Registered Plan 1502, comprising all of Kelowna Airport;
- B. The Sub-Lessee is desirous of leasing from the Lessee part of the Lessee's Land for aviation purposes;
- C. The City of Kelowna is desirous of sub-leasing a portion of the Kelowna Airport to the Sub-Lessee on the terms and conditions contained herein;
- D. The approval of the Department of Transport shall be obtained for the Sub-Lease herein.

WITNESSETH that the Lessee, in consideration of the rents, covenants, provisos and conditions hereinafter reserved and contained, has demised and sub-leased, and, by this Sub-Lease, demises and leases to the Sub-Lessee:

ALL AND SINGULAR that certain parcel of land (hereinafter referred to as "the said land") situate, lying and being comprised, in the Kelowna Airport (hereinafter referred to as "the said airport") at Kelowna, in the Province of British Columbia; the said land comprising an area of 41,119 square feet, more or less, and being more particularly shown as area "A" on Drawing No. 9732LSE.Dwg hereto annexed.

AND the Parties agree as follows:

ARTICLE 1
DEFINITIONS

- (1) The word "Lessor" when used herein shall mean the Sovereign and shall include the Successors and Assigns of the Sovereign;
- (2) The words "City" or "Lessee" when used herein shall mean the City of Kelowna.
- (3) The word "Sub-Lessee" or other words relative thereto, or of like import, shall mean and include, irrespective of gender or number, the party or parties of the second part as above designated or described, and their or any of their executors, administrators, successors or assigns;
- (4) The word "Minister" shall mean the person holding the position, or acting in the capacity, of the Minister of Transport, for the time being and shall include the person holding the position, or acting in the capacity, of the Deputy Minister of Transport, for the time being;
- (5) The words "Airport Manager" shall mean the person holding that position, or acting in the capacity, of the Airport Manager of the Kelowna Airport, for the time being.

ARTICLE 2
PURPOSE

The said land shall be used as a site for a metal clad aircraft hangar (hereinafter referred to as "the said building") and the said land and the said building shall be used for aviation purposes and for no other purpose or purposes whatsoever.

ARTICLE 3
TERM

3.01 LENGTH OF TERM

The Sub-Lessee shall have and hold the said land, from and after the 1st day of January, 1995 for a period of five years, less a day, up to and including December 30th, 1999 and then to be complete and ended.

3.02 OVERHOLDING TENANCY

It is hereby agreed by and between the parties hereto that if the Sub-Lessee shall hold over after the expiration of the term hereby granted and the Lessee shall accept rent, the new tenancy thereby created shall be a tenancy at will and not a tenancy from year to year, and the Sub-Lessee shall pay as rent during the time of such occupancy a rent to be determined at the discretion of the Lessee, and shall be subject to the covenants and conditions herein contained so far as the same are applicable to a tenancy at will.

3.03 CANCELLATION PRIVILEGE

If by reason of fire, flood, lightning, tempest, earthquake, impact of aircraft, explosion, or Acts of God, or the Queen's enemies the said building shall, at any time during the term hereby granted be destroyed or so damaged as to render the said building unfit for occupancy, the Sub-Lessee will, then, have a period of ninety (90) days after such damage or destruction within which to decide whether or not it will repair or rebuild. If the Sub-Lessee decides not to rebuild or repair, it may terminate this Sub-Lease by notice, in writing, given to the Lessee within the said ninety (90) day period; provided, however, that in the event of such notice being given to the Lessee pursuant to this clause, the rent reserved to the Lessee under this Sub-Lease shall be due and payable up to the date of removal of the said building and clearance and levelling of the said land to the satisfaction of the Lessee.

3.04 SURRENDER OF PREMISES

At the expiration or sooner determination of the term of this Sub-Lease, the Sub-Lessee shall peaceably surrender and yield to the Lessee, in a condition satisfactory to the Lessee, the said land and the said building. The Sub-Lessee shall thereupon forthwith remove from the said land and the said building all chattels, goods, supplies, articles, equipment, materials, effects or things and shall also, to the satisfaction of the Lessee, repair all and every damage and injury occasioned to the premises of the Lessee by reason of such removal or in the performance thereof, but the Sub-Lessee shall not, by reason of any action taken or things performed or required under this clause, be entitled to any compensation whatever. Unless required by the Lessee, no chattels, goods, supplies, articles, equipment, materials, effects or things shall be removed from the said land or the said building until all rent due or to become due under this Sub-Lease is fully paid. The City may, at its option, remove at the risk of and at the cost and expense of the Sub-Lessee, the chattels, goods, supplies, articles, equipment, materials, effects or things from the said land or the said building and the Sub-Lessee shall

reimburse the Lessee forthwith upon receipt of appropriate accounts therefor and for any storage charges which may have been or will be incurred by the Lessee as a result of such removal. Where not removed by the Sub-Lessee, the Lessee may consider the chattels, goods, supplies, articles, equipment, materials, effects or things to be abandoned, and take title thereto in the name of the Lessee.

3.05 RENEWAL

That if, at the expiration of the term by these Presents created, the Sub-Lessee shall desire a renewal of these Presents for a term of five (5) years, or any lesser term, the Sub-Lessee shall at least three (3) months before such expiration give notice in writing of such desire to the Lessee and if it shall then appear that all rent or other sums or charges due or payable by virtue of these Presents have been fully paid and that the Sub-Lessee has on its part observed and performed all the covenants, provisos, conditions and reservations in these Presents contained, the Lessee shall grant to the Sub-Lessee a renewal or extension of this Sub-Lease for a term not exceeding five (5) years commencing December 31st, 1999 and in like manner, at the expiration of such second term, for a third term of five (5) years, commencing December 31st, 2004 and in like manner, at expiry of such third term, for a fourth term of five (5) years, commencing December 31st, 2009 and in like manner, at the expiration of such fourth term, for a fifth term of five (5) years, commencing December 31st, 2014, subject to the covenants, provisos, conditions and reservations herein contained, except however, that the rental to be paid during such renewal periods, may be fixed and determined by the City of Kelowna at the time of such renewal at any greater or other rate than herein reserved and that such renewed Sub-Lease shall not contain any provision or clause for further or other renewal; and the Sub-Lessee hereby covenants and agrees that such revised rental shall be due and payable effective as of the beginning of the term of renewal of this Sub-Lease and that any rental payment made after expiration of the term by these Presents created or after the expiration of any renewal thereof, in any amount other than the revised amount fixed and determined pursuant to this clause as the rental payable during such renewal term shall be a conditional installment payment only and shall be subject to adjustment after the rental for such renewal has been so fixed and determined retroactive to the first day of such renewal. It is understood and agreed that the Sub-Lessee's right to renew hereunder is contingent upon and subject to the Lessee's right to renew the Head Lease. In the event that the Lessee shall not be entitled to renew the Head Lease the Sub-Lessee's right to renew this Sub-Lease shall lapse and be at an end.

ARTICLE 4

RENT

4.01 RENT

The Sub-Lessee shall pay during the currency of this Sub-Lease to the City, in lawful money of Canada the rent as follows:

- A. for the period commencing the 1st day of January, 1995 and ending the 30th day of December, 1999, eight thousand six hundred and thirty four dollars and ninety six cents (\$8,634.96), per annum, payable in advance in monthly installments of seven hundred and nineteen dollars and fifty eight cents (\$719.58).

and;

- B. for the term or period commencing the 1st day of January, 1995 and ending the 30th day of December, 1999, an Airport Maintenance Charge, the sum of nine hundred and four dollars and fifty six cents (\$904.56), per annum, payable in advance in monthly installments of seventy five dollars and thirty eight cents (\$75.38).

4.02 PAYMENT OF RENT

The Sub-Lessee shall pay all rent herein reserved at the time and in the manner in this Sub-Lease set forth, without any abatement or deduction whatever.

4.03 INTEREST ON RENT IN DEFAULT

Without waiving any other right of action of the City in the event of default of payment of rent hereunder, in the event that the Sub-Lessee is delinquent after the date above appointed in making the payments required hereunder, the Sub-Lessee shall pay a penalty thereon at the rate of 2 percent per month or any portion of a month, (26.82 percent per annum), retroactive from the date any such amount is due and payable until paid. In order to reflect prevailing interest rates, the City will review and adjust the interest rate from time to time.

4.04 DETERMINATION AND FIXING OF RENT

- (1) In this Sub-Lease

"Market Rent" means the highest fixed annual rent estimated in terms of lawful money of Canada, which the said land would bring as vacant land if offered for lease on the open market in Kelowna, British Columbia:

- (a) a reasonable time is permitted to find a willing Sub-Lessee;
- (b) neither the Lessee nor the Sub-Lessee is acting under compulsion;
- (c) both the Lessee and the Sub-Lessee have full knowledge of the purpose for which the said land is or is to be utilized;

(d) the purpose for which the said land is or is to be utilized represents the highest and best use thereof; and

(e) the Sub-Lessee shall be responsible for all costs, expenses, payments and expenditures so as to secure to the Lessee a net rent free and clear from all deductions, abatement or set-off throughout the term.

"Appraiser" means a person who is experienced as an appraiser of real estate and is either established in such business or employed in the Public Service of Canada in such capacity.

"Market Rent Appraisal" means a written opinion of Market Rent obtained from an Appraiser.

(2) Rents to be paid during renewal periods shall be fixed and determined by the City based on Market Rent as determined by a Market Rent Appraisal.

4.05 AIRPORT MAINTENANCE CHARGE

That the airport maintenance charge provided herein will be reviewed by the Lessee after five (5) years from the date hereof, and the said charge may be changed at the beginning of each one (1) year period under the Sub-Lease in accordance with the policies of the Lessee applicable thereto then in effect. In the event that the Sub-Lessee refuses to accept such charge, this Sub-Lease may be cancelled and determined at any time by notice in writing signed by or on behalf of the City of Kelowna, and thereupon, after such written notification, this Sub-Lease shall be determined and ended.

ARTICLE 5
SUB-LEASED LAND, SERVICES AND IMPROVEMENTS

5.01 "AS IS" CONDITION

The Sub-Lessee accepts the said land in an "as is" condition and any improvements made to the said land by the Sub-Lessee at any time during the currency of this Sub-Lease, to make the said land suitable for the operations of the Sub-Lessee hereunder, shall be at the risk, cost and expense of the Sub-Lessee and to the satisfaction of the Lessee.

5.02 ACCESS

- (1) The Lessee, its officers, servants or agents, shall have full and free access for inspection purposes during normal business hours and in the presence of the Sub-Lessee or a representative of the Sub-Lessee to any and every part of the said land and the said building; it being expressly understood and agreed, however, that in cases of emergency, the Lessee, its officers, servants or agents shall at all times and for all purposes have full and free access to the said land.
- (2) Subject as in this Sub-Lease provided, the Sub-Lessee shall have quiet possession of the said land, and the right of ingress and egress over the airport roadways subject to rules and regulations as may be established by the Lessee respecting such use.

5.03 MAINTENANCE OF SUB-LEASED AREA

The Sub-Lessee shall, at the cost and expense of the Sub-Lessee, maintain the landscaping and paved areas on the said land and shall keep the land free of debris and neat and tidy at all times, all to the satisfaction of the Airport Manager.

5.04 ADDITIONAL RIGHTS OF THE SUB-LESSEE

The Lessee reserves the right to grant licenses, rights of way or privileges to others on, over, under, through or across the said land, provided, however, that such rights of way or privileges are not detrimental to the proper conduct of the business or operation of the said building and related services, will not damage or disrupt permanently the physical facilities of the Sub-Lessee, will not impose any cost upon the Sub-Lessee, and will not weaken, diminish or impair the security of this Sub-Lease.

5.05 SERVICES AND UTILITIES

- (1) That except and subject as in this Sub-Lease otherwise specifically provided, services required to serve the said building shall be the responsibility of the Sub-Lessee and the Sub-Lessee shall make and maintain all connections required therefor, all at the cost and expense of the Sub-Lessee and to the satisfaction of the Lessee.
- (2) The Sub-Lessee shall construct improvements on the said land in such manner that the surface drainage water on the said land will be discharged into the Lessee's drainage

system, and plans for the construction of storm drainage services shall be subject to the approval in writing, of the Airport Manager prior to installation of such services, for compatibility with the field drainage channels serving the said land, all at the cost and expense of the Sub-Lessee.

- (3) The Sub-Lessee shall, at the cost and expense of the Sub-Lessee, provide complete and proper arrangements for the adequate sanitary handling and disposal away from the said airport of all trash, garbage and other refuse on or in connection with the Sub-Lessee's operations under this Sub-Lease, all to the satisfaction of the Airport Manager. Piling of crates, cartons, barrels or other similar items shall not be permitted in a public area on the said airport.
- (4) The plans and specifications for installation of all services must be approved by the Airport Manager and the work performed under the supervision of a designated officer of the Airport Manager.

5.06 TEMPORARY SUSPENSION OF SERVICES

Without limiting or restricting the generality of the provisions of Clause 7.01 hereof, the Sub-Lessee shall not have nor make any claim or demand, nor bring any action or suit or petition against the Lessee or any of its officers, servants or agents for any damage which the Sub-Lessee may sustain by reason of any temporary suspension, interruption or discontinuance, in whole or in part from whatever cause arising in service supplied by the Lessee hereunder.

5.07 REASONABLE USE

The Sub-Lessee shall not, during the currency of this Sub-Lease, do, suffer nor permit to be done any act or thing which may impair, damage or injure the said land, the said building or any part thereof, beyond the damage occasioned by reasonable use, and shall, at the cost and expense of the Sub-Lessee, repair and renew in a good, sufficient and workmanlike manner all portions of the said land or the said building which may at any time by the Sub-Lessee be damaged (ordinary wear and tear only excepted) and in the event of the failure on the part of the Sub-Lessee to so repair and renew, the Sub-Lessee shall indemnify and save harmless the Lessee from all damages, costs and expenses suffered or incurred by the Lessee by reason of such impairment, damage or injury to the extent the Sub-Lessee is liable for the same in law, such payment to be made forthwith upon receipt of appropriate accounts therefor.

5.08 NUISANCE

The Sub-Lessee shall not do, suffer or permit to be done any act or thing upon or above the said land or the said building which is or would constitute a nuisance to the occupiers of any lands or premises adjoining or in the vicinity of the said land or the said building or to the public generally.

5.09 ENVIRONMENTAL PROTECTION STATUTES

The Sub-Lessee shall accede to and abide by Federal Environmental Protection Statutes and regulations and by-laws and any regulations thereto and appropriate Provincial, Territorial and/or City of Kelowna or local Environmental Protection Statutes and regulations and by-laws.

5.10 POLICE AND FIRE PROTECTION

The Lessee shall not be responsible for providing fire protection to nor policing of, the said land, the said building and any improvements.

5.11 FIRE PREVENTION

The Sub-Lessee shall, at the expense of the Sub-Lessee, take all precautions to prevent fire from occurring in or about the said land and the said building, and shall observe and comply with all laws and regulations in force respecting fires at the said airport, and with all instructions given from time to time by the Airport Manager with respect to fires and extinguishing of fires.

5.12 ADVERTISING

The Sub-Lessee shall not construct, erect, place or install on the outside of the said building or on the said land any poster, advertising sign or display, electrical or otherwise, without first obtaining the consent, in writing, of the Airport Manager.

5.13 DRAINAGE AND DISCHARGE OF MATERIAL

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

5.14 INTERCEPTORS

If required by the City of Kelowna, grease, oil and sand interceptors shall be provided by the Sub-Lessee. All interceptors shall be of a type and capacity approved by the City and shall be readily accessible for cleaning and inspection. Such interceptors shall be maintained by the Sub-Lessee, at the expense of the Sub-Lessee, in continuous, efficient operation at all times.

5.15 REPAIR OF DAMAGE

If, at any time or times hereafter, any damage or injury (ordinary wear and tear only excepted) should be occasioned to the said land, the said building, or any part thereof, or to any works of the Lessee on the said airport by reason of or on account of the operations of the Sub-Lessee hereunder or any action taken or things done or maintained by virtue thereof, then, and in every such case, the Sub-Lessee shall, within a reasonable time upon notice thereof from the City given in writing, repair, rebuild and restore the same in good, sufficient and workmanlike manner; in the event of failure on the part of the Sub-Lessee to so repair the City may, at its option, repair such damage or injury in which case the Sub-Lessee shall repay and reimburse the Lessee for all costs and expenses connected therewith or incidental thereto to the extent the Sub-Lessee is liable for the same in law plus such additional charge as may be applicable in accordance with the policies of the Lessee for administration and overhead forthwith upon receipt by the Sub-Lessee of appropriate accounts therefore from the Lessee. In the event of failure on the part of the Sub-Lessee to repair such damage or injury and in the event of non repair by the Lessee, the Sub-Lessee shall remain liable to the Lessee for the amount of such damage or injury to the extent the Sub-Lessee is liable therefor in law and payment of such amount shall be made by the Sub-Lessee to the Lessee forthwith, upon receipt by the Sub-Lessee of appropriate accounts therefor from the Lessee.

5.16 ERECTION AND MAINTENANCE OF BUILDINGS OR STRUCTURES

- (1) The Sub-Lessee shall not construct or erect any building or other structures on the said land without first obtaining the written approval of the City of Kelowna, of plans showing the design and nature of construction of such building or structures and their proposed location, and all such buildings or structures shall be constructed and thereafter maintained by and at the cost and expense of the Sub-Lessee to the satisfaction of the Airport Manager.
- (2) If, at any time during the term of this Sub-Lease, the Sub-Lessee defaults in its obligation of maintaining the said land and the said building, structures and improvements, and every of them, in accordance with the requirements of this Sub-Lease, the Airport Manager may give written notice, specifying the respect in which such maintenance is deficient, to the Sub-Lessee. If, within fifteen (15) days from the giving of such notice the default specified in such notice has not been remedied or (if the nature of such default reasonably requires more than fifteen (15) days to remedy and make right) the Sub-Lessee has not commenced, or, having commenced, is not diligently completing the remedying of such default, or if such maintenance is not of a type satisfactory to the Airport Manager, the Lessee may enter upon the said land and the said building, structures and improvements and perform such maintenance, at the cost and expense of the Sub-Lessee, plus such additional charge as may then be applicable, in accordance with the policies of the Lessee for administration and overhead; it being expressly understood and agreed that the Lessee shall not be under any obligation to perform any maintenance during the term of this Sub-Lease.

5.17 VESTING OF REPAIRS, ALTERATIONS, IMPROVEMENTS OR REPLACEMENTS

Any repairs, alterations, improvements or replacements made by the Sub-Lessee to or upon the said land and the said building which by their nature are determined to be fixtures shall upon termination of this Sub-Lease, except and subject as in this Sub-Lease otherwise specifically provided, be vested in title in the Lessee without any payment of compensation to the Sub-Lessee in respect of the repairs, alterations, improvements or replacements; nevertheless the Lessee shall have the option of requiring or compelling the Sub-Lessee upon written notice, to remove such repairs, alterations, improvements or replacements, and the Sub-Lessee shall be so bound to remove and shall restore the said land to its original condition all at the cost and expense of the Sub-Lessee and without any right on the part of the Sub-Lessee to seek compensation for any reason whatsoever.

5.18 PAYMENT OF TAXES

- (1) The Sub-Lessee shall pay or cause to be paid all rates, taxes and assessments, of whatsoever description, that may at any time during the existence of this Sub-Lease be lawfully imposed, and become due and payable, upon, or in respect of the said land, the said building, or any part thereof.
- (2) The Sub-Lessee shall pay any business tax, value added tax, multi-stage sales tax, sales tax, goods and services tax or any other tax lawfully imposed on any rent receivable by the Lessee hereunder by any governmental or other taxing authority having jurisdiction, whether known as business transfer tax, value added tax, goods and services tax, or by any other name.

5.19 COMPLIANCE WITH REGULATIONS

- (1) That the Sub-Lessee shall in all respects comply with all laws, rules and regulations of the Federal Government, Provincial Government and all by-laws and regulations of the Lessee and any other governing body whatsoever and shall comply with all local police, health, or fire regulations or by-laws, in any manner affecting the business of the Sub-Lessee, the said land, the said building and the operations of the Sub-Lessee hereunder. In agreeing to comply with all by-laws and regulations of the Lessee the Sub-Lessee does so voluntarily as a matter of commercial expedience, without protest, without any demand by the Lessee and without qualification by any condition. Further the Sub-Lessee agrees that compliance with all by-laws and regulations of the Lessee is a fundamental term of this agreement and that any breach of this term entitles the Lessee to terminate this agreement.
- (2) That the Sub-Lessee shall abide by and comply with all regulations regarding traffic control, airport security, sanitation and all other regulations relative to the management and operation of the said Airport.

5.20 DEFECT OF TITLE

That it is an express condition of this Sub-Lease that the Sub-Lessee shall not have any recourse against the Lessee should the Lessee's title to the said land be found to be defective, or should these Presents prove ineffectual by reason of any defect in such title.

5.21 DESCRIPTION OF FACILITIES AND BUILDING

- (1) The Sub-Lessee covenants and agrees with the Lessee within a reasonable time after the grant of this Sub-Lease to commence the construction of and complete a metal clad aircraft hangar and associated aircraft and vehicle parking facilities expeditiously and in good and workmanlike manner and in accordance with the detail plans and provisions of this Clause and in particular:
 - (a) to cause the facilities and building to be substantially completed, in accordance with sub-clause (2) of this Clause not later than the 30th day of June 1995; but subject to extensions of time granted pursuant to sub-clause (3) of this Clause;
 - (b) to cause the facilities and building to be fully completed and in accordance with all the provisions of this Sub-Lease expeditiously thereafter (save for delays beyond the reasonable control of the Sub-Lessee).
- (2) (a) For the purposes of this Clause the facilities, buildings and improvements shall be deemed to have been substantially completed when the Airport Manager has determined to his satisfaction that:
 - (i) all work of a structural nature has been properly completed;
 - (ii) all facility, building equipment and services, including elevators (if any), heating and air conditioning systems and utilities, have been completed and are operating properly and available for use by the occupants of the building and facilities; all lobbies, stairwells and other areas intended for the common use of occupants of the building and facilities are completed except for work of a decorative or superficial nature, which is both minor in character and of a type which, owing to the likelihood of damage, is reasonably to be deferred until the building and facilities are partially or substantially occupied;
 - (iii) all building space is completed for occupancy except for work of a superficial nature which is dependent upon the individual Sub-Lessee's requirements as yet unascertained (such as painting and the installation of lighting fixtures, dividing partitions and tenant's fixtures) and work which is reasonably and customarily allocated to the Sub-Lessee's to complete;
 - (iv) all areas are clean and all surplus building material and rubbish removed;

- (v) the building and facilities generally are in a condition in which they can be occupied and any work that is still unfinished is such as can be completed promptly and is work to whose incompletion a reasonable Sub-Lessee would not object; and
 - (vi) the building and facilities shall have been completed in all respects in a good and workmanlike manner in accordance with the detail plans except for any requirements of the detail plans which have been waived or varied by the Lessee in writing and for faults and defects which, in the opinion of the Lessee, are minor and the correction of which is adequately assured.
- (b) For the purpose of this Sub-Lease the date of completion of the building and facilities shall be the date upon which all of the following conditions shall have been fulfilled:
- (i) the building and facilities shall have been substantially completed to the satisfaction of the Lessee pursuant to paragraph (a) of this subclause;
 - (ii) this Sub-Lease shall not have been terminated and there shall be no existing material breach by a Sub-Lessee of any obligation under this Sub-Lease; and
 - (iii) there shall be no claims outstanding in respect of the construction of the facilities save for claims for completion payments by contractors not exceeding any amounts which the Sub-Lessee may reasonably retain to ensure the correction of deficiencies in the construction of the building and facilities and completion of such part or parts of such construction the completion of which has been deferred by reason of weather condition, or which the Lessee is required or permitted to retain under the provisions of this Sub-Lease; and except for amounts required or permitted to be so retained, all accounts for work and materials shall have been paid; and no building fixtures, or equipment on the lands (save for usual tenant's fixtures normally removable by Sub-Lessee's and to which the Sub-Lessee does not have title and any fixtures not forming part of the structure of the building or any building services) shall be subject to any conditional sale agreement or to any lien, encumbrance or claim not expressly permitted by this paragraph.

For the purpose of establishing the completion date the Lessee (but not the Sub-Lessee) shall have the right to waive any of the conditions set out in this paragraph (b) in whole or in part, but no such waiver of the conditions or of any of the foregoing provisions shall relieve the Sub-Lessee of its obligations to perform its covenants hereunder.

(3) If the Sub-Lessee:

- (a) from and after the date of commencement of the term of this Sub-Lease proceeded with due diligence to construct the building in accordance with the provisions of this Sub-Lease and is not in default in payment of rent or the performance of the obligations of this Sub-Lease; and
- (b) has been delayed in constructing the building by reason of strikes, lockouts, governmental restrictions, Acts of God, unavailability of material and labour and similar causes, all being beyond the control of the Sub-Lessee, and the delays are such as to render it unlikely or uncertain that the building will be substantially completed by the date specified in paragraph (1)(a) of this Clause; and
- (c) has used all reasonable diligence to overcome such delays and proceeded with the construction of the building to the extent possible, then the Sub-Lessee may at any time before the date of completion of the building apply to the Lessee for and obtain by way of duly executed supplemental agreement to Sub-Lease, an extension of the time for compliance with paragraph (1)(a) of this Clause by a period, not longer than the length of the delay imposed by the causes beyond the Sub-Lessee's control, which will reasonably be required for the Sub-Lessee substantially to complete the said building and facilities with reasonable diligence, such application to be accompanied by a statement, signed by the Sub-Lessee certifying:
 - (i) the length of time required for the substantial completion of the building with reasonable diligence;
 - (ii) the length of the delay imposed by causes beyond the Sub-Lessee's control;
 - (iii) that these causes were beyond the Sub-Lessee's control; and
 - (iv) that the delay will be likely to prevent compliance with the paragraph (1)(a) of this Clause by the date specified therein notwithstanding exercise of reasonable diligence by the Sub-Lessee, and in such event the Lessee shall grant to the Sub-Lessee an extension of the time specified in paragraph (1)(a) of this Clause, equal to the shorter of the two lengths of time referred to in items (i) and (ii) above, and shall from time to time grant further extensions of the date for completion if application is made during the currency of any extension already granted and is accompanied by a like certificate of the Sub-Lessee, provided always that in no event shall the Sub-Lessee be entitled to an extension beyond the date upon which the second year of the Sub-Lease extension expires.

- (4) The Sub-Lessee shall obtain, before the commencement of construction of the said building and facilities, the Lessee's approval in writing, of the detail plans, including without limiting the generality of the foregoing, the drawings, elevations, specifications, (including materials to be used) location on the Sub-Leased lands and cost estimates and phasing or construction time schedule for the building and facilities, all access points for construction purposes, all proposed vehicular and pedestrian entrances and exits to and from the Sub-Leased lands and all boardings required to be erected.

5.22 ENFORCEMENT

Notwithstanding the provisions of 9.01 any failure by the Sub-Lessee to comply with the specific obligations of the Sub-Lessee to construct and to complete construction of the building and facilities, as set out in 5.21 of the Sub-Lease herein, shall constitute a breach of the conditions of this Sub-Lease and shall be subject to the cancellation of this Sub-Lease without any right on the part of the Sub-Lessee to seek compensation.

In the event of non-compliance with any of the specific obligations of the Sub-Lessee to construct and complete construction of the building and facilities herein then, and in every such case, provided reasonable steps have not been taken to cure any such breach within thirty (30) days from the date of notice in writing or such other notice as may be specified thereof from the Lessee to the Sub-Lessee and signed by or on behalf of the Lessee, the Lessee may terminate this Sub-Lease by giving the Sub-Lessee thirty (30) days written notice of its intention to terminate signed by or on behalf of the Lessee, during which time the Sub-Lessee will no longer be permitted to cure the breach or non-observance; and thereupon after the expiration of such period of notification this Sub-Lease shall be determined and ended without any further notice or delay.

The Lessee shall have the option of requiring or compelling the Sub-Lessee, upon written notice, to remove such buildings, facilities and structures, and the Sub-Lessee shall be so bound to remove and shall restore the said land and said building to its original condition at its own cost and expense and without any right on the part of the Sub-Lessee to seek compensation for any reason whatsoever.

**ARTICLE 6
ASSIGNMENT**

The Sub-Lessee shall not make any assignment of this Sub-Lease, nor any transfer or sub-lease of the whole or any portion of the said land demised or sub-leased hereunder, without obtaining the prior consent in writing of the City of Kelowna to such assignment, transfer or sub-lease, such consent not to be unreasonably withheld.

ARTICLE 7
LIABILITY AND INDEMNITY

7.01 CLAIM OR DEMAND

The Sub-Lessee shall not have any claim or demand against the City and/or any of its officers, servants or agents for detriment, damage, accident or injury, of any nature whatsoever or howsoever caused to the Sub-Leased land, or to any person or property, unless such damage or injury is due to the negligence of the City and/or any of its officers, servants or agents while acting within the scope of his/her duties or employment.

7.02 INDEMNITY

That the Sub-Lessee shall at all times indemnify and save harmless the Lessor, the Lessee and/or any of its officers, servants or agents from and against all claims and demands, loss, costs, damages, actions, suits or other proceedings by whomsoever made, brought or prosecuted, in any manner based upon, occasioned by or attributable to the execution of these Presents, or any action taken or things done or maintained by virtue hereof, or the exercise in any manner of rights arising hereunder, except claims for damage resulting from the negligence of the City and/or any of its officers, servants or agents while acting within the scope of his/her duties or employment.

**ARTICLE 8
INSURANCE**

- (1) The Sub-Lessee shall place and at all times maintain during the currency of this Sub-Lease public liability and property damage insurance in an amount not less than TWO MILLION DOLLARS (2,000,000.00) against claims for personal injury, death or loss or damage to property arising out of any of the operations of the Sub-Lessee under this Sub-Lease, or of the acts or omissions of the Sub-Lessee or any of his agents, employees or servants; such insurance shall be with a company or companies acceptable to the Lessee and all policies for such insurance shall be in an amount and in a form satisfactory to the Lessee.
- (2) The Sub-Lessee shall place and at all times maintain during the currency of this Sub-Lease, insurance against fire with respect to the said building or other structures constructed on the said land by the Sub-Lessee to provide for full replacement value of such buildings or other structures.
- (3) The City of Kelowna is to be named insured on all policies and the Sub-Lessee shall submit such policy or policies or certified copies thereof and any renewals thereof to the City of Kelowna for review and approval together with proof of payment of the premiums therefor.
- (4) The Sub-Lessee shall not do or omit to do or suffer anything to be done or omitted to be done on the said land which will in any way impair or invalidate such policy or policies. Every policy shall contain a provision that written notice of cancellation shall be given to the City of Kelowna.
- (5) The "deductible" for any insurance policy under the section shall not exceed FIVE THOUSAND DOLLARS (\$5,000.00) per claim.

ARTICLE 9
DEFAULT AND RE-ENTRY

9.01 DEFAULT AND RE-ENTRY

(1) It is expressly agreed that:

- (a) if the Sub-Lessee shall be in default in the payment of rent or amounts collectable hereunder as rent, whether lawfully demanded or not, and such default shall continue for a period of 15 days after the rent has become due and payable; or
- (b) if the Sub-Lessee shall be in default of any of its covenants or agreements hereunder (other than its covenant to pay rent or amounts collectable hereunder as rent) and such default shall continue for a period of 30 days (or such longer period as may be reasonably necessary to cure such default considering the nature thereof) after notice by the Lessee to the Sub-Lessee specifying with reasonable particularity the nature of such default and requiring the same to be remedied; or
- (c) if the default set out in the notice given to the Sub-Lessee by the Lessee pursuant to paragraph (b) reasonably requires more time to cure than the thirty (30) day period referred to in that paragraph and the Sub-Lessee has not commenced remedying or curing the same within the thirty (30) day period or; in the opinion of the Lessee fails to diligently complete the same within a reasonable time; or
- (d) if the Sub-Lessee shall make an assignment for the benefit of creditors, or shall make an assignment or have a receiving order made against it under the Bankruptcy Act, or becoming bankrupt or insolvent shall make application for relief under the provisions of any statute now or hereafter in force concerning bankrupt or insolvent debtors, or any action whatsoever, legislative or otherwise shall be taken with a view to the winding-up, dissolution or liquidation of the Sub-Lessee;

then the current month's rent together with the rent for the three months next ensuing shall immediately become due and payable, and at the option of the Lessee the term hereby granted shall become forfeited and void, and the Lessee may without notice or any form of legal process whatsoever forthwith re-enter upon the said land, the said building or any part thereof in the name of the whole and repossess and enjoy the same as of its former estate, anything contained in any statute or law to the contrary notwithstanding.

- (2) Forfeiture of this Sub-Lease by the Sub-Lessee shall be wholly without prejudice to the right of the Lessee to recover arrears of rent or damages for any antecedent breach of covenant on the part of the Sub-Lessee, and notwithstanding any such forfeiture the Lessee may subsequently recover from the Sub-Lessee damages for loss of rent suffered by reason of the Sub-Lease having been determined prior to the end of the term of this Sub-Lease as set out herein and this clause and the rights hereunder shall survive the termination of this Sub-Lease whether by act of the parties or by operation of law.

9.02 LIEN

The Lessee shall have a lien upon the chattels, goods, supplies, articles, equipment, materials, effects or things of the Sub-Lessee for any loss or damage arising by reason of the breach of any of the conditions or provisions hereof, or the failure on the part of the Sub-Lessee to comply therewith.

9.03 BANKRUPTCY

That, notwithstanding anything in this Sub-Lease contained, if the Sub-Lessee becomes bankrupt or insolvent or makes an assignment for the benefit of the Sub-Lessee's creditors, or takes the benefit of any winding up or insolvency act, then, in each and any of such cases this Sub-Lease shall be and become by any of such acts, absolutely forfeited and terminated, and the Lessee shall be entitled to take the steps in such cases provided.

ARTICLE 10
GENERAL

10.01 BRIBES

The Sub-Lessee hereby confirms that it has not, nor has any person on its behalf, given, promised or offered to any official or employee of the Lessee for or with a view to obtaining this Sub-Lease any bribe, gift or other inducement and that it has not, nor has any person on its behalf, employed any person to solicit or secure this Sub-Lease upon any agreement for a commission, percentage, brokerage or contingent fee.

10.02 MEMBERS OF THE HOUSE OF COMMONS

No Member of the House of Commons of Canada shall be admitted to any share or part of this Sub-Lease, or to any benefit to arise therefrom.

10.03 HEADINGS

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

10.04 DIFFERENCES

All matters of difference arising between the Lessee and the Sub-Lessee in any matter connected with or arising out of this Sub-Lease whether as to interpretation or otherwise, shall be determined by the Lessee but without prejudice to any recourse available under law.

10.05 EFFECT OF SUB-LEASE

This Sub-Lease and everything herein contained shall enure to the benefit of and be binding upon the successors and assigns, as the case may be, of each of the parties hereto, subject to granting of consent by the Lessee as provided herein to any assignment, transfer or sublease of this Sub-Lease, and where there is a male, female or corporate party, the provisions hereof shall be read with all grammatical changes to gender and number required by the context, and all covenants and obligations shall be deemed joint and several.

10.06 PROVISIONS SEPARATELY VALID

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

10.07 WAIVER NEGATED

The failure by the Lessee or its authorized representative, as the case may be, to require the fulfillment of the obligations, or to exercise any rights herein contained shall not constitute a waiver, a renunciation or a surrender of those obligations or rights.

10.08 NO IMPLIED OBLIGATIONS

No implied terms or obligations of any kind by or on behalf of the Lessee shall arise from anything in this Sub-Lease and the express covenants and agreements herein contained and made by the Lessee are the only covenants and agreements upon which any rights against the Lessee may be founded.

10.09 ENTIRE AGREEMENT

This Sub-Lease shall be deemed to constitute the entire agreement between the Lessee and the Sub-Lessee hereto with respect to the subject matter hereof and shall supersede all previous negotiations, representations, and documents in relation hereto made by any party to this Sub-Lease.

**ARTICLE 11
NOTICES**

- (1) Whenever in this Sub-Lease, it is required or permitted that notice or demand be given or served by either party of this Sub-Lease to or on the other, such notice or demand will be in writing and will be validly given or sufficiently communicated if forwarded by registered mail, priority post mail, telegram, telex, or facsimile as follows:

To the City: City Clerk
 City of Kelowna
 1435 Water Street
 Kelowna, B.C.
 V1Y 1J4
 Telephone: (604) 862-3308
 Fax: (604) 862-3399

To the Sub-Lessee: Northern Air Support Ltd.
 1695B Powick Road
 Kelowna, B.C.
 V1X 4L1
 Telephone: (604) 861-8676
 Fax: (604) 861-3649

- (2) Such addresses or facsimile numbers may be changed from time to time by either party giving notice as above provided.
- (3) If any question arises as to whether any notice was or was not communicated by one party to the other, it shall be deemed to have been effectively communicated or given on the day received or on the fifth day after it was mailed or sent, whichever is the earlier.

**ARTICLE 12
HEAD LEASE**

12.01 HEAD LEASE COVENANT

The Sub-Lessee hereby covenants that they will perform and observe all the covenants on the part of the City under the provisions of the Head Lease other than the covenant to pay rent thereunder and other than covenants relating to the premises other than these sub-premises, and will keep the City indemnified against all actions, expenses, claims and demands in respect of such covenants except as aforesaid.

12.02 HEAD LEASE TERMINATION

Upon the termination of the Head Lease for whatsoever reason and provided that each of the following conditions exist:

- (1) the termination of the Head Lease is not in any manner disputed;
- (2) the City has yielded up vacant possession to the Lessor (the Department of Transport) of the Lease area;
- (3) the Sub-Leases immediately preceding the termination of the Head Lease are in full force and effect and the Sub-Lessees at the termination of the Head Lease were not, or are not, in default or breach of their respective Sub-Leases;
- (4) the Lessor is not legally prohibited by reason of defect in title, adverse possession, or otherwise from fulfilling the terms of any of the Sub-Leases;

the Sub-Leases then in full force and effect shall be deemed to have been assigned to the Lessor, thereby creating a new Lessor/Lessee relationship under the terms and conditions of the respective Sub-Leases as the case may be; provided, however, that the Lessor reserves the option to amend the new Lease therein created from time to time in accordance with policy or policies in effect at that time.

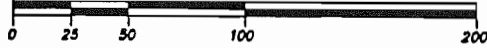
ARTICLE 13
PERSONAL GUARANTEE

The Guarantor joins in this agreement for valuable consideration and as an inducement to the Lessee agreeing to enter into this Sub-Lease. The Guarantor hereby covenants and agrees to guarantee full performance and observance of all of the terms of this agreement including, without restriction, the payment of rent, without requiring any notice of non-performance, non-payment or non-observance, the receipt of which notices the Guarantor hereby expressly waives. The liability of the Guarantor hereunder shall not be released, limited or affected in any way by reason of the assertion by the Lessee of its rights under the Sub-Lease or any forbearance, extension of time or other modification of the Sub-Lease agreed to by the Lessee and the Sub-Lessee. The Guarantor further agrees that this guarantee shall remain in full force and effect during the full term of this Sub-Lease and any renewals, modifications or extensions thereof and during any period that the Sub-Lessee may be a tenant at will.

**REFE ICE PLAN OF PART OF LOT 3
PLAN 11796, D.L 32 & SEC. 14,
TP. 23, O. D. Y. D.**

PURSUANT TO SEC. 99(1)(K) LTA
FOR LEASEHOLD PURPOSES

B.C.G.S. No. 82 L 094

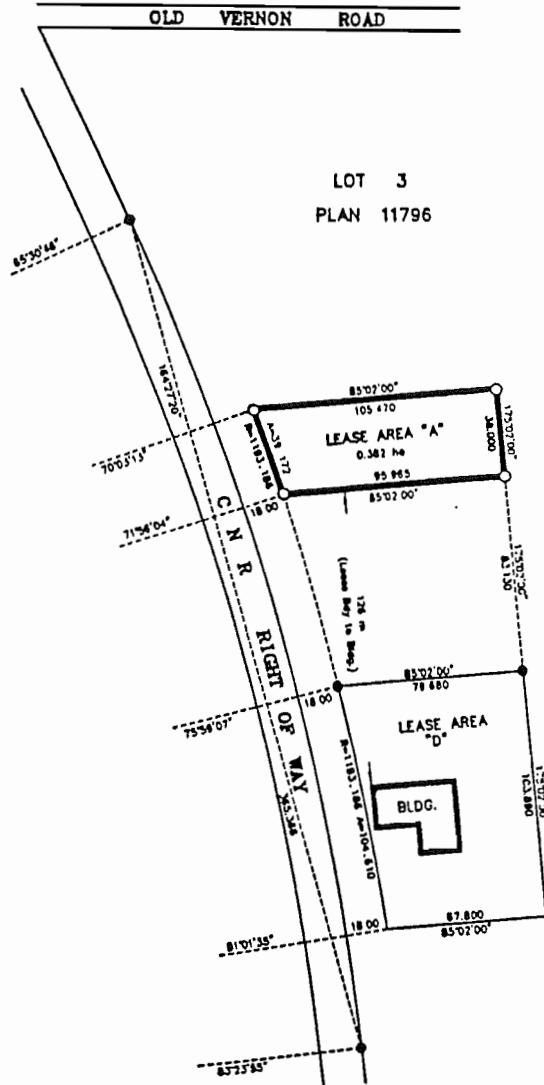


SCALE 1:2000 (All distances are in metres)

LEGEND

Bearings are Astronomic and are
derived from PLAN 11796

- - denotes standard iron post found
- - denotes standard iron post set



I, R.R. Runnalls, a British Columbia land surveyor, of the City of Kelowna, in British Columbia, certify that I was present at and personally supervised the survey represented by this plan, and that the survey and plan are correct. The survey was completed on the 23rd day of November, 1994.

R.R. Runnalls
R.R. RUNNALLS B.C.L.S.

**R. R. RUNNALLS & ASSOCIATES
B. C. LAND SURVEYORS**

No. 2 - 1470 WATER STREET KELOWNA, B. C.,
V1Y 1J5 PH 763 7322

OWC. No.: 9732LSE.DWG

FILE: 9732

This plan lies within the Regional District of Central Okanagan.