

THIS LEASE dated the _____ day of August, 2010

AMONG:

SITA FOODS LTD.
a British Columbia company having an
address for notice and delivery at:

("Landlord")

AND:

KAVALA HOLDINGS LTD.
a British Columbia company having an
address for notice and delivery at:
Suite 100, 938 Gibsons Way
Gibsons, BC V0N 1V7

("Tenant")

BACKGROUND

A. The Landlord is the registered owner of the real property situate in Gibsons, in the Province of British Columbia, legally described as:

PID:

and municipally described as:

(the "Land");

B. The Landlord owns a building on the Land;

C. The Landlord has agreed to lease and the Tenant has agreed to rent a portion of the building on the terms and conditions set out below; and

D. As an inducement to the Landlord to enter into this Lease, the Indemnifier has agreed to save harmless the Landlord from any and all loss, costs, damages, or liability whatsoever arising out of any failure by the Tenant to perform any and all of the terms, covenants, conditions, and provisions of this Lease.

AGREEMENTS

For good and valuable consideration, the receipt and sufficiency of which each party acknowledges, the parties covenant and agree as follows:

1. DEFINITIONS/SCHEDULES

1.1 Defined Terms

- (a) **"Additional Rent"** means all sums of money to be paid by the Tenant, whether to the Landlord or otherwise, under this Lease except Minimum Rent.
- (b) **"Affiliate"** of any of the parties to this Lease means any corporation that is Controlled by, or that Controls, that party or any other corporation Controlled by, or that Controls, that corporation, whether the Control be direct or indirect.
- (c) **"Architect"** means the architect from time to time named by the Landlord.
- (d) **"Building"** means the building and other improvements erected, or to be erected, on the Land, and includes any other buildings, structures, facilities, and improvements constituting an expansion of the Building.
- (e) **"Capital Tax"** means the tax or excise imposed upon the Landlord on account of the capital of the Landlord as such amount is allocated by the Landlord to the Land and the Building.
- (f) **"Common Areas and Facilities"** means those areas and facilities that may be furnished in or near the Building for the non-exclusive common use of, or the common benefit of, tenants and other occupants of the Building, their employees, agents, customers, and other invitees, designated as such by the Landlord, which designation may be changed from time to time.
- (g) **"Control", "Controls", and "Controlled"** includes, without limitation, the right to exercise a majority of the votes that may be cast at a general meeting of a corporation.
- (h) **"Goods and Service Tax" or "GST"** means the tax presently levied under Part IX of the *Excise Tax Act* (Canada) or as may be amended or substituted from time to time.
- (i) **"Harmonized Sales Tax" or "HST"** means the tax presently levied under the *Excise Tax Act* (Canada) as may be amended or substituted from time to time.
- (j) **"Hazardous Substance"** means any substance that, when released into the Lands, the Building or any part thereof, or into the natural environment, is likely to cause, at any time, material harm or degradation to the Land, the Building or any part thereof, or to the natural environment or material risk to human health, and includes, without limitation, any flammables, explosives, radioactive materials, asbestos, polychlorinated biphenyls, chlorofluorocarbons, hydrochlorofluorocarbons, urea formaldehyde foam insulation, radon gas, chemicals known to cause cancer or other toxicity, pollutants, contaminants, hazardous wastes, toxic substances or related materials, petroleum and petroleum products, or any substance declared to be hazardous or toxic under any laws now or hereafter enacted, which affect or apply to the Lands, the Building, the Landlord, the Tenant, or any of them.
- (k) **"HVAC Costs"** means all costs of heating, ventilating, and air conditioning the Building or the Premises, as the case may be, including without limitation the

cost of fuel, water, electricity, operation of air distribution and cooling equipment, and depreciation (computed in accordance with generally accepted accounting principles in the Province of British Columbia) of the capital cost of fixtures and equipment used therefor that, by their nature, require periodic replacement or substantial repair.

(l) "Land" means the land legally described as such above.

(m) "Landlord" means the party described as such above and its successors and assigns.

(n) "Leasable Area", applied to premises set aside by the Landlord for leasing to a tenant of the Building, means the area expressed in square feet, as determined and certified by a B.C. Land Surveyor or other qualified professional selected by the Landlord, of the premises, measured from the centre line of all walls separating the premises from adjacent premises and from the exterior surfaces of exterior walls, without deduction for any space occupied or used for columns, stairs, or other interior construction or equipment, but if part of a wall or the front of the premises is recessed from the line of the building or the line of a wall of the building, as the case may be, in which the premises are situate, the last-mentioned lines are considered to be the outer surface of the outside walls of the premises.

(o) "Lease" means this Lease and all its Schedules, as amended from time to time.

(p) "Lease Year" means a period of 12 consecutive calendar months during the Term ending on the last day of the financial year of the Landlord, except that:

(i) the first Lease Year begins on the first day of the Term and ends on the last day of the financial year of the Landlord in which the first day of the Term occurs, and may be a period less than 12 consecutive calendar months;

(ii) the last Lease Year begins on the first day of the financial year of the Landlord during which the last day of the Term occurs and ends on the last day of the Term, and may be a period less than 12 consecutive calendar months; and

(iii) if the Landlord changes its financial year and gives notice to the Tenant of the first and last days of the new financial year, the period between the last day of the old financial year and the last day of the new financial year will be a Lease Year and will be a period less than 12 consecutive calendar months, and the next Lease Year will follow consecutively.

(q) "Leasehold Improvements" means all fixtures, trade fixtures, improvements, installations, alterations, and additions from time to time made, erected, or installed by, or on behalf of, the Tenant in the Premises, with the exception of furniture and equipment not of the nature of fixtures, but includes all partitions however fixed (including floor-to-ceiling moveable partitions) and includes all wall-to-wall carpeting with the exception of carpeting laid over vinyl tile or other finished floor and affixed so as to be readily removable without damage.

- (r) **"Minimum Rent"** means the minimum rent specified in paragraph 4.2(a)(i).
- (s) **"Mortgage"** means a mortgage or charge (including a deed of trust and mortgage securing bonds and all other indentures supplemental to them) on or in respect of the Land or Building or any part of them, and includes all renewals, modifications, consolidations, replacements, and extensions.
- (t) **"Mortgagee"** means the holder of a Mortgage or other security interest named in a Mortgage.
- (u) **"Operating Costs"** means the aggregate (without duplication) of all costs and expenses incurred by or on behalf of the Landlord for the ownership, operation, maintenance, repair, replacement, and management of the Building, or any part of it, whether contemplated at the time of execution of this Lease or otherwise including, without limitation, all costs and expenses of:
- (i) all insurance that the Landlord is obligated to obtain, and any other insurance the Landlord does obtain, in respect of any risk or casualty, including commercial general liability, all risks, property damage, and loss of rental income insurance;
- (ii) cleaning, painting, janitorial services, including snow and ice removal, garbage, and waste collection and disposal;
- (iii) all charges for public services and utilities that are not separately metered for individual tenants, including hot and cold water, gas, electricity, sewer (sanitary and storm), and any HVAC Costs not directly attributable or allocated to individual premises;
- (iv) fees and other remuneration payable for operating, maintenance, promotion, engineering, legal, and accounting services, and other consulting and professional services;
- (v) building supplies and the rental equipment used by the Landlord in maintenance and operating services;
- (vi) depreciation or amortization (computed by the Landlord in accordance with generally accepted accounting principles in the province of British Columbia) of furnishings, fixtures, equipment, machinery, facilities, systems, and property that, by their nature, require periodic or substantial repair or replacement, but excluding structural repair or replacement;
- (vii) repairs and replacements to, and maintenance of, the Building including, but not limited to, the cost of repair of the roof of the Building and the surface of the exterior walls of the Building, but excluding structural repairs;
- (viii) Capital Tax, GST and/or HST on goods and services provided by or on behalf of the Landlord;

- (ix) costs otherwise attributable to capital account for improvements, machinery, or equipment intended to reduce Operating Costs;
 - (x) an administrative overhead charge equal to 5% of the aggregate of all Minimum Rent payable by the tenants of the Building; and
 - (xi) licence, permit, and inspection fees;
- but does not include:
- (xii) other costs incurred by, or on behalf of, or at the request of, an individual tenant or tenants that result in a benefit to that tenant and that are not of general application to tenants of the Building;
 - (xiii) costs incurred by the Landlord solely to lease premises in the Building; and
 - (xiv) debt service incurred by the Landlord.
- If any of the Operating Costs apply disproportionately to one or more tenants of the Building, then the Landlord in its sole discretion, acting reasonably, may allocate all or a portion of those costs to the tenant to whom the costs disproportionately apply. Similarly, if any of the Operating Costs apply to the Land as a whole or a portion of it and are not separately allocated to a Building or the Premises, then the Landlord in its sole discretion, acting reasonably, may allocate a portion of those costs to the Operating Costs.
- (v) "Permitted Business" means the permitted business described in clause 7.1.
 - (w) "Premises" means the premises forming part of the Building labelled as "SITA'S" on Schedule 1, excepting the exterior faces of all adjoining corridor and outside walls and extending from the upper surface of the subfloor to the undersurface of the roof structure.
 - (x) "Prime Rate" means the annual rate of interest announced at the relevant time by the Royal Bank of Canada as a reference rate in effect for determining interest rates on Canadian dollar commercial loans made by it in Canada.
 - (y) "Rent" means Minimum Rent and Additional Rent.
 - (z) "Security Deposit" means the deposit defined in clause 4.6.
 - (aa) "Taxes" means all taxes, rates, duties, levies, and assessments whatsoever, whether municipal, regional district, federal, provincial, or otherwise, levied, imposed or assessed by any competent authority against the Land, the Building or any part of it or upon the Landlord in respect of the Land or the Building or in respect of the use and occupation of it.
 - (bb) "Tenant's Proportionate Share" means 40%.
 - (cc) "Term" means the period of time specified in clause 3.2.

(dd) "Unavoidable Delay" means a delay in performance of an act or compliance with a covenant caused by any event beyond the reasonable control of the party obligated to perform or comply, except a delay caused by lack of funds or other financial reason.

1.2 Schedules

The following Schedules form part of this Lease:

- Schedule 1—Plan of Premises
- Schedule 2—Rules and Regulations

2. INTENT

2.1 Net Lease

The Tenant will pay to the Landlord duly and punctually all Rent without any deduction, abatement, or set-off whatsoever, so that this Lease is to be a completely carefree net lease to the Landlord. All expenses, costs, payments, and outgoings incurred in respect of, or relating to, the Premises or the Lands or Building whether or not referred to in this Lease, and whether or not within the present contemplation of the Landlord or the Tenant, will be borne by the Tenant so that Rent will be absolutely net to the Landlord except as otherwise specifically provided in this Lease.

3. PREMISES AND TERM

3.1 Demise

The Landlord leases the Premises to the Tenant for the Term, and the Tenant leases the Premises from the Landlord, on and subject to the covenants and agreements contained in this Lease.

3.2 Commencement of Term

The Term of this Lease is for five (3) years and will commence on January 1, 2011.

3.3 Extension of Term

If the Term commences on a day other than the first day of a month, the Term will be extended by the period from the commencement date of this Lease to and including the last day of the month in which the commencement date occurs.

4. RENT AND ADDITIONAL RENT

4.1 Covenant to Pay Rent

The Tenant covenants to pay when due Rent and all other costs and charges payable by it under this Lease.

4.2 Minimum Rent

(a) During the Term, the Tenant will pay to the Landlord, at the office of the Landlord or at such other place in Canada as the Landlord designates from time to time in writing, in lawful money of Canada and without deduction, set-off, or abatement, the aggregate of:

(i) Minimum Rent per year, as follows, payable in equal consecutive monthly instalments each in advance on the first day of each calendar month:

Year		Including Additional Rent	
Annual	Minimum Rent	Years 1 to 3 of the Term	
Monthly	Minimum Rent		
		\$43,500	\$3625

(iii) Additional Rent as specified in clause 4.3; and

(iv) all GST and/or HST assessed upon or as a direct result of the payment of Rent under this Lease and such GST and/or HST will not be considered to be Rent, but the Landlord will have the same rights and remedies for non-payment of GST and/or HST as it has for non-payment of Rent.

4.3 Additional Rent

(a) No Additional Rent is payable in Years 1 and 2 of the Term. Commencing the first day of Year 3 of the Lease, the Tenant will pay to the Landlord as Additional Rent:

- (i) the Tenant's Proportionate Share of the Operating Costs;
- (ii) the Tenant's allocated portion of Taxes as provided in clause 6.1;
- (iii) the HVAC Costs incurred in respect of the Premises or allocated by the Landlord to the Premises in accordance with clause 6.2;
- (iv) the costs of all utilities as provided in clause 10.1; and
- (v) all other sums of money required under this Lease to be paid to the Landlord by the Tenant whether or not designated as Additional Rent, other than Minimum Rent.

(b) In each Lease Year, the Tenant will pay as Additional Rent, and discharge when they become payable, all taxes, rates, duties, and assessments and other charges that may be levied, rated, charged, or assessed against the Leasehold improvements (including, without limitation, the trade fixtures), and furniture, equipment, or facilities of the Tenant on or comprising part of the Premises, and every tax and licence fee in respect of every business or activity conducted on or from the Premises.

(c) If any of the amounts referred to in subclauses 4.3(a) or 4.3(b) is not paid at the time required under this Lease, it will be collectible as Additional Rent with the next instalment of Rent falling due, but nothing in this Lease suspends or delays the payment of any amount of money when it becomes payable, or limits any other remedy of the Landlord.

(d) The Tenant will pay to the Landlord applicable GST and/or HST either at the same time and in the same manner as monthly payments of Rent are payable, or at the time the taxing authority in respect of GST and/or HST requires them to be paid by the Landlord or the Tenant, whichever is earlier.

4.4 Payment of Additional Rent

(a) Whenever the Tenant is to pay an amount of money referable to a period of time wholly or partly within a Lease Year the Landlord will, acting reasonably, estimate the amount payable by the Tenant before the beginning of the Lease Year and the Tenant will pay to the Landlord that amount in equal consecutive monthly instalments in advance during the Lease Year with the other Rent payments provided for in this Lease. The Landlord may reasonably adjust its estimates and the amount payable by the Tenant from time to time during the Lease Year and will within 90 days after the end of each Lease Year, make a final determination of the Tenant's Proportionate Share of the Operating Costs for the Lease Year.

(b) If the amounts determined under subclause 4.4(a) exceed the sum of the instalments paid by the Tenant for the relevant period, the Tenant will pay to the Landlord as Additional Rent within 30 days after the date of delivery of the statement by the Landlord the excess without interest, or, if the sum of the instalments paid by the Tenant during the preceding Lease Year exceed the amounts calculated under subclause 4.4(a), the Landlord will credit the Tenant, without interest, with the amount against the next ensuing payments due by the Tenant under this clause 4.4.

4.5 Pre-authorized Payment Plan

The Tenant, at the request of the Landlord, will authorize the financial institution at which the Tenant maintains an account to pay the Landlord and debit the account of the Tenant amounts equal to the monthly payments for Minimum Rent and Additional Rent, as estimated by the Landlord, such payments to be made on the dates that they accrue due under this Lease.

4.6 Security Deposit

The Landlord acknowledges receipt from the Tenant of a security deposit in the amount of \$_____, to be held by the Landlord, without interest, and returned to the Tenant upon the expiry of the Term or any extension of the Term, provided that the Tenant vacates the Premises by no later than the expiry date of this Lease and leaves the Premises in good order, condition, and repair, in accordance with the Tenant's obligation to repair and maintain, and free and clear of all encumbrances, and that the Tenant has paid all amounts due to the Landlord under this Lease. If at any time during the Term the Tenant fails to observe or perform any of its obligations under this Lease, the Landlord may, in addition to its other rights under this Lease or at law or in equity, apply the deposit, or so much of it as is necessary, to compensate the Landlord on account of loss or damage the Landlord has incurred by reason of the Tenant's

breach. If the Landlord so applies the whole or part of the deposit during the Term or any extension of the Term, the Tenant will promptly remit to the Landlord a sum equal to the amount so applied by the Landlord.

**5. PAYMENT OF OPERATING COSTS DURING FIXTURING PERIOD -
INTENTIONALLY DELETED**

6. ALLOCATIONS OF TAXES AND HVAC COSTS

6.1 Allocation of Taxes

If the Landlord is not provided by the taxing authorities with a separate allocation of the Taxes relating to the Premises, the Landlord will make the allocation acting reasonably.

6.2 Allocation of HVAC Costs

If the heating, ventilating, and air conditioning is to be supplied by equipment servicing each tenant's premises in the Building, the HVAC Costs relating to the Premises will be separately calculated by the Landlord, based on the Tenant's consumption and use, and the Tenant will pay the Landlord's invoice therefore immediately upon receipt. If there is an integrated HVAC system for the Building, the Landlord will allocate the HVAC Costs to the Premises and the Tenant will immediately pay the amount of the Landlord's invoice for those costs.

6.3 Allocation of Electrical Costs

If the electrical consumption and other charges pertaining to the Tenant on the Premises are not separately metered, the Landlord will cause a calculation of the electrical costs attributable to the Premises to be made in accordance with good engineering practices, which will be the basis of the Landlord's invoice.

7. USE OF PREMISES

7.1 Permitted Business

The Tenant will use the Premises solely for the purpose of conducting the business of a full service licenced restaurant, and the Tenant will not use the Premises or permit them to be used for any other purpose without the Landlord's prior written consent.

7.2 Conduct of Business

The Tenant acknowledges that the success of the Building and the income of the Landlord from it are dependent on the Tenant's presence in the Building and the Tenant's presence in the Building is important to attract other tenants and customer traffic into the Building. Accordingly:

(a) the Tenant will conduct its business in, and use the whole of the Premises, continuously throughout the Term in an up-to-date, first-class, and reputable manner befitting the Building and on the days and during the hours that the Landlord from time to time designates;

(b) at the reasonable request of the Landlord, the Tenant will immediately discontinue any business practice by the Tenant whether through advertising,

selling procedures, or otherwise that, in the opinion of the Landlord, may harm the business or reputation of the Landlord or reflect unfavorably on the Building, the Landlord or other tenants of premises in the Building, or that may confuse, mislead, or deceive the public; and

7.3 Competition – WHAT ABOUT THIS??

As part of the acknowledgement by the Tenant of the importance of its operations to the Building and to the Landlord, as set out in clause 7.2, the Tenant agrees that during the Term neither the Tenant, nor an Affiliate of the Tenant, nor any person under the managerial control of the Tenant, will conduct within a radius of five miles from the nearest boundary of the Building a business similar to, or directly or indirectly in competition with, the business conducted by the Tenant on or from the Premises. The Tenant represents that by entering into this Lease it is not breaching a similar covenant binding it to another person.

7.4 Storage and Office Space

The Tenant will warehouse, store, or stock on the Premises only merchandise that the Tenant intends to offer for sale on or from the Premises. This does not preclude occasional emergency transfers of merchandise to or from other stores of the Tenant. The Tenant will not use any part of the Premises for storage or office purposes other than is reasonably required to carry on the Permitted Business in the Premises.

7.5 Name of Business

The Tenant will conduct the Permitted Business on or from the Premises only under the name of _____ and will not change the advertised name of the Permitted Business without the prior written consent of the Landlord. The Tenant covenants that it has the exclusive right to use the name set out above.

7.6 Outside Display of Goods

The Tenant will not display merchandise outside the Premises without the prior written consent of the Landlord, which may be arbitrarily withheld.

7.7 Operations by Tenant

- (a) Without limiting the generality of its other obligations under this Lease, the Tenant will operate the Premises in a good, efficient, and business-like manner and will keep the Premises neat, clean, and sanitary.
- (b) The Tenant will comply with all laws, ordinances, rules, and regulations of government authorities concerning or related to the Building or the Premises, or both, including without limitation, those dealing with any Hazardous Substance, and the construction, repair, maintenance, operation, use, and occupancy of the Premises, and the Tenant will comply with all rules and regulations and policies established by the Landlord from time to time that will apply generally to all retail tenants in the Building.
- (c) The Tenant will refrain and cause all those under its control to refrain from any business or activity that, in the Landlord's opinion, is in breach of the provisions

of any of the leases or agreements of any other tenants or occupants of the Building.

8. USE OF COMMON AREAS AND FACILITIES

8.1 Non-exclusive Use

The Tenant and its officers, employees, customers, and other invitees, in common with others designated by the Landlord, or otherwise entitled, will have the non-exclusive licence to use the Common Areas and Facilities for the purposes from time to time permitted or designated by the Landlord, acting reasonably, but subject to the exclusive management and control of the Common Areas and Facilities by the Landlord.

8.2 Management and Control by Landlord

The Landlord has the exclusive right to manage and control the Building, and from time to time to establish, modify, and enforce reasonable rules and regulations regarding the use, maintenance, and operation of the Building generally, and the Common Areas and Facilities specifically, and the Tenant, its officers, employees, customers, and other invitees will observe the rules and regulations in all respects.

8.3 Parking

The Tenant shall be entitled to use of the parking identified in Schedule 2 attached hereto.

9. REPAIR

9.1 Landlord's Repair

The Landlord will, subject to the Tenant's compliance with this Lease, receipt by the Landlord of insurance proceeds under its various policies of insurance in respect of the Building, and the provisions of clause 9.4, at all times during the Term, keep the Common Areas and Facilities in a reasonable state of repair, as a prudent owner of a reasonably similar commercial development would do, having regard to the size, age, and location of the Building, including but not limited to foundations, roofs, exterior walls (excluding fronts of premises and glass in premises set aside by the Landlord for leases to tenants of the Building), structural sub-floors, bearing walls, columns, beams, and other structural elements of the Building, and the systems provided for bringing utilities to the Premises (to the extent not located within the Premises or other tenant premises).

9.2 Tenant's Repair

The Tenant will at its cost, subject to clause 9.4:

- (a) keep the Premises in good and substantial state of repair to the standards of first-class premises, including all Leasehold Improvements, furniture, equipment, and other facilities (including, without limitation, wiring, piping, lighting and plumbing fixtures, operating equipment, sprinkler, and HVAC systems) located on, in, under, above, or which directly serve the Premises, the front of the Premises, all glass and utilities in the Premises, but with the exception of structural elements of the Premises;

(b) permit the Landlord to enter and view the state of repair, and repair as required above, according to notice in writing, and leave the Premises in a good and substantial state of repair as required above; and

(c) if any part of the Building, including, without limitation, structural elements of it and any part of the Common Areas and Facilities, becomes damaged or destroyed through the willful act, negligence, or omission of the Tenant or any of its officers, employees, customers, or other invitees, reimburse the Landlord for the cost of repairs or replacement promptly upon demand.

9.3 Abatement of Rent

If there is damage to the Premises, or the Building, that prevents use of or access to the Premises or the supply of services essential to the Premises and if the damage is such that the Premises, or a part of the Premises, is rendered not reasonably capable of use by the Tenant for the conduct of its business for a period exceeding two consecutive days, unless the damage was caused by the negligence of the Tenant or an assignee, subtenant, concessionaire, licensee, or an officer, employee, customer, or other invitee of any of them, the Minimum Rent for the period beginning on the occurrence of the damage until at least a substantial part of the Premises is again reasonably capable of use and occupancy for the stated purpose will abate in the proportion that the area of the Premises rendered not reasonably capable of use by the Tenant for the conduct of its business bears to the Leasable Area of the Premises but not exceeding the amount of rental income insurance proceeds received by the Landlord for the period.

9.4 Termination in Event of Damage

(a) The Landlord, by written notice to the Tenant given within 60 days of the occurrence of damage to the Building, may terminate this Lease:

(i) if the Building is damaged by any cause and in the reasonable opinion of the Landlord either cannot be repaired or rebuilt with reasonable diligence within nine months after the occurrence of the damage or the cost of repairing or rebuilding it would exceed by more than \$100,000 the proceeds of the Landlord's insurance available for that purpose; or

(ii) if the Premises are damaged by any cause and the damage is such that the Premises or a substantial part of the Premises are rendered not reasonably capable of use by the Tenant for the conduct of its business and in the reasonable opinion of the Landlord cannot be repaired or rebuilt with reasonable diligence by four months before the end of the Term.

(b) If this Lease is terminated under subclause 9.4(a) above, neither the Landlord nor the Tenant will be bound to repair as provided in clauses 9.1 and 9.2, and the Tenant will deliver up possession of the Premises to the Landlord with reasonable speed.

9.5 Certificate of Architect

If the Premises or the Building are damaged and there is a dispute as to the length of time required to repair or rebuild the Building or the Premises, or as to the cost of repairing or rebuilding the Building, or as to whether the Premises or a substantial part of the Premises are rendered not reasonably capable of use by the Tenant for the conduct of its business or have once again become capable of such use, the dispute will be settled, at the cost of the Tenant, by the Architect and his or her certificate will be conclusive.

9.6 Landlord's Approval

Before commencing any repairs, replacements, maintenance, alteration, decoration, or improvements set out above, or elsewhere referred to in this Lease, that are reasonably estimated by the Tenant to cost in excess of \$5,000, the Tenant will obtain the Landlord's written approval and will, if reasonably required by the Landlord to do so, submit plans and specifications for the Landlord's review. The Tenant will pay to the Landlord a charge for review of its plans and specifications.

9.7 Landlord's Right to Do Tenant's Repair

If the Tenant refuses or neglects to repair properly as required under this Lease and to the reasonable satisfaction of the Landlord, the Landlord may make such repairs without liability to the Tenant (including the Landlord's negligence and the negligence of other parties for whom the Landlord is responsible in law) for any loss or damage that may accrue to the Tenant's merchandise, fixtures, or other property or to the Tenant's business by reason of the repairs, and upon completion of the repairs, the Tenant will pay the Landlord's actual reasonable costs in the circumstances plus 15% of such costs, for making such repairs, immediately upon presentation of an invoice for such costs.

10. UTILITIES AND SERVICES—PREMISES

10.1 Utility and Service Charges

- (a) The Landlord will use commercially reasonable efforts to have the utilities such as gas and electricity, provided to the Premises, separately metered and invoiced for directly to the Tenant from the supplier.
- (b) The Tenant will pay directly to the supplier when due all charges for all utilities separately metered and invoiced, for the Premises.
- (c) For all utilities not so separately metered and invoiced, the Tenant will pay its share of all costs for them as allocated by the Landlord under this Lease or otherwise as part of Operating Costs.
- (d) The Tenant will pay when due all costs for all other utilities and services provided to the Premises, including window cleaning and janitorial service (if any).

10.2 Limitation of Liability

The Landlord will not be liable to the Tenant in damages or otherwise for an interruption or failure in the supply of utilities or services to the Premises but the Landlord will use diligent efforts to secure the re-supply of that utility or service.

10.3 Tenant Not to Overload Utility and Service Facilities

The Tenant will not install equipment that will exceed or overload the capacity of utility or service facilities, and if, in the opinion of the Landlord, equipment installed by the Tenant requires additional facilities, they will be installed at the Tenant's expense in accordance with plans and specifications approved by the Landlord prior to installation. The Landlord reserves the right to install such additional equipment at the Tenant's expense, which will not exceed 15% of the cost of the additional equipment.

11. SUBORDINATION, ATTORNEY, AND STATUS STATEMENT BY TENANT

11.1 Subordination and Attornment

This Lease is subordinate to every Mortgage, and the Tenant will subordinate this Lease to every Mortgage that comes into being after the date of this Lease and execute promptly and in registrable form a document in confirmation of the subordination if requested by the Landlord, in which the Tenant also will agree with the Mortgagee that if the Mortgagee becomes a mortgagee in possession or takes action to realize the security of the Mortgage, the Tenant will attorn to the Mortgagee as a tenant upon all the terms of this Lease, but only if the Mortgagee agrees to accept the attornment and permit the Tenant, if not in default, to continue in occupation of the Premises until terminated. The Tenant appoints the Landlord its agent or attorney (at the Landlord's option) to execute the documents referred to in this clause, and if, following 10 days' notice to do so, the Tenant fails to execute any of them, the Landlord may terminate this Lease.

11.2 Status Statement

Whenever requested by the Landlord or its mortgagee, the Tenant will promptly provide a certificate in writing as to the status of the Lease, including whether it is in full force and effect, is modified or unmodified, confirming the rental payable and the state of accounts between the Landlord and the Tenant, the existence or non-existence of default, and any other matters pertaining to this Lease as may be reasonably required.

12. INSURANCE AND INDEMNITY

12.1 Landlord's Insurance

The Landlord will take out and keep in force all risks, property insurance on the Building, and such other forms of insurance as the Landlord or its Mortgagee reasonably considers necessary. The Tenant is relieved of any liability arising from its acts, fault, negligence, or omissions, to the extent losses are covered by such insurance. The Tenant does not have the right to receive any proceeds under the policies.

12.2 Tenant's Insurance

The Tenant at its expense will provide and maintain in force during the Term the following insurance:

- (a) commercial general liability insurance concerning the Premises and the Tenant's business of not less than \$5,000,000 or in such other amount as may be reasonably required by the Landlord; the insurance will include, without limitation,

liability for personal injury or death, contractual liability, property damage, and contingent employer's liability and will name the Landlord and its Mortgagee as additional insureds;

- (b) all risks (including flood, sewer, and drain back-up, earthquake, and sprinkler leakage) property insurance on insurable property including merchandise, furniture, fixtures, and leasehold improvements, to the full replacement value, on a stated amount coinsurance basis, with a deductible approved by the Landlord;
- (c) insurance for all glass and plate glass on the Premises, whether installed by the Landlord or the Tenant;
- (d) broad comprehensive boiler and machinery insurance on all objects owned or operated by the Tenant or others on behalf of the Tenant on the Premises with deductibles not exceeding \$1,000;

- (e) all risks tenant's legal liability insurance for the actual cash value of the Premises;
- (f) business interruption insurance providing coverage for 12 months' loss of insurable gross earning or profit; and
- (g) any other form of insurance and with whatever higher limits that the Landlord or its Mortgagee may reasonably require.

12.3 Insurance Terms

Any policy of insurance under clause 12.2 will name the Landlord as an additional insured. Property policies will contain a waiver of subrogation against the Landlord and its employees, agents, or Mortgagee and incorporate the standard mortgage clause. Liability policies will contain a cross-liability clause and severability of interest endorsement in favour of the Landlord and its Mortgagee where it is named. All insurance policies will be in a form and with insurers satisfactory to the Landlord, and contain a clause requiring the insurer not to cancel or change the insurance without first giving the Landlord 15 days' prior written notice. The Tenant hereby waives its right of subrogation against the Landlord and the Landlord's employees, agents, or Mortgagee, and further provides the Landlord with copies of the insurance policies required by this Lease.

12.4 Tenant's Contractor's Insurance

The Tenant will require any contractor performing work on the Premises to carry and maintain, at no expense to the Landlord, commercial general liability insurance and other insurance in amounts and on terms reasonably determined by the Landlord, and to provide the Landlord with satisfactory proof of that insurance from time to time.

12.5 Landlord's Right to Insure

If the Tenant does not provide or maintain in force the insurance required under this Lease or provide proof of the insurance when requested by the Landlord, the Landlord may take out the necessary insurance and pay the premiums, and the Tenant will pay to the Landlord as Additional Rent the amount of such premium on the next succeeding rental payment date.

12.6 Acts Conflicting with Insurance

The Tenant will not do or permit to be done any act or thing that may render void or conflict with any policy of insurance, including any applicable regulations of fire insurance underwriters, by which the Premises or the Building are insured. If any such policies are cancelled or reduced, or threatened to be cancelled or reduced, by reason of any act or omission of the Tenant, the Landlord will have the right at its option to place such insurance at the expense of the Tenant and to remedy the circumstances that may prevent the issuance of the insurance. If the premium paid in respect of any policy is increased by any act or omission of the Tenant, the Tenant will pay to the Landlord at the Landlord's option on the next succeeding rental payment date the amount by which the premium has been increased as Additional Rent. All of the remedies of the Landlord in this Article 12 may be taken without limiting or affecting any other right or remedy in this Lease.

12.7 Indemnity

The Tenant will indemnify the Landlord and save it harmless from and against all claims, actions, damages, liabilities, costs, and expenses in connection with loss of life, personal injury, or damage to property arising from any occurrence on the Premises, or occupancy or use of the Premises, or occasioned wholly or in part by an act or omission of the Tenant, its officers, employees, agents, customers, contractors, or other invitees. The provisions of this clause will survive the expiry or sooner termination of this Lease.

13. ASSIGNMENT AND SUBLETTING

13.1 Landlord's Consent

The Tenant will not assign, mortgage, or encumber this Lease in whole or in part, nor sublease all or any part of the Premises or permit them to be used or occupied by any other person or permit a change of Control (collectively "Transfer"), without the prior written consent of the Landlord, which consent will not be unreasonably withheld. Any Transfer made in violation of this Article 13 will be void. If the Tenant is a corporation, a change in voting control of the Tenant will be deemed to be an assignment. For the purposes of this Article 13, voting control means the direct or indirect beneficial ownership of more than 50% of the voting shares in the capital of the Tenant. The Tenant will make available to the Landlord, immediately upon demand from time to time, reasonable evidence of the status of the voting control of the Tenant, including copies of applicable corporate records of the Tenant and any of its corporate shareholders.

13.2 Standards for Consent

Without limiting the circumstances in which it may be reasonable for a Landlord to withhold consent to a Transfer, it will be fair and reasonable for a Landlord to withhold consent in the following circumstances:

- (a) if the Landlord determines the financial condition of the proposed assignee, subtenant, or occupant, or any indemnifier of same, is or may be insufficient;

- (b) if the use to which the Premises may be put is inconsistent with the terms of this Lease or conflicts with any exclusive rights or covenants under leases granted to other tenants;

- (c) if at the time of the proposed transfer the Tenant is in default under this Lease;

- (d) if the Transfer will result in a division of the Premises; or

- (e) if the Tenant has not received a bona fide written offer for assignment or sublet or has not provided a copy of such offer to the Landlord at the time of requesting Landlord's consent.

13.3 Terms of Transfer

The following applies to any Transfer:

- (a) the Landlord has the right to approve the form of Transfer;
- (b) despite any Transfer, the Tenant will remain fully liable to perform all the terms, conditions, and covenants of this Lease;
- (c) the Tenant will at the time of transfer require the assignee or subtenant to agree in writing with the Landlord to fulfill all obligations under this Lease and to enter into a new form of lease that may contain additional or changed obligations, and which new lease is to be prepared by the Landlord's lawyer at the Tenant's expense.

13.4 Assignment by Landlord

If the Landlord sells or otherwise transfers an interest in the Building, the Land or this Lease, in whole or in part, to the extent that the transferee is responsible for compliance with the obligations of the Landlord under this Lease, the Landlord without further written agreement will be released from all of its obligations in this Lease.

14. WASTE, GOVERNMENT, AND ENVIRONMENTAL REGULATIONS

14.1 Waste or Nuisance

The Tenant will not commit or permit to be committed waste upon the Premises, or nuisance, or other thing that may disturb or interfere with the use or enjoyment by any other tenant in the Building of its Premises and the Common Areas and Facilities or that may disturb any person within 500 feet of a boundary of the Building, whether or not the nuisance arises out of the use of the Premises by the Tenant for a purpose permitted by this Lease.

14.2 Government, Insurance Underwriters, and Environmental Regulations

- (a) The Tenant, at the Tenant's cost, will comply with and cause all those under its control to comply with the applicable requirements of all municipal, regional, district, provincial, federal, and other government authorities now in force or that may hereafter be in force including, without limitation, all laws and regulations pertaining to the use, possession, control, discharge, removal, disposal, and

abatement of Hazardous Substances and all other laws and regulations pertaining to the Tenant's occupancy or use of the Premises and will observe in any occupancy and use of the Premises all municipal bylaws and provincial and federal statutes and regulations now in force or that may hereafter be in force, and will comply with all regulations or orders made by fire insurance underwriters or by authorities having jurisdiction. The provisions of this subclause 14.2(a) will survive the expiration or earlier termination of this Lease.

(b) The Landlord may enter the Premises at any time or times, with as little interference to the conduct of the Tenant's business as is reasonably possible, to enable the Landlord to inspect the Premises and to comply with or cause the Tenant to comply with any municipal bylaw or provincial statute now or in the future applicable to the Premises whether or not the application of the bylaw or statute to the Premises results from an act or omission of the Landlord or any other person.

15. ACCEPTANCE OF PREMISES

15.1 Acceptance of Premises

The Tenant will notify the Landlord of any defects in the Premises, including environmental hazards, that prevent or diminish their use, within 10 days after the date when the Tenant is given occupancy by the Landlord, and failing the giving of notice, the Tenant will be considered for all purposes to have accepted the Premises in their then existing condition.

16. LEASEHOLD IMPROVEMENTS AND TRADE FIXTURES

16.1 Installation and Changes by Tenant

All Leasehold Improvements, including without limitation, trade fixtures installed by, or on behalf of, the Tenant will be of first-class quality. The Tenant will not make or cause to be made any Leasehold Improvement, without first obtaining the Landlord's written approval.

16.2 Removal of Installations and Restoration by Tenant

(a) All Leasehold Improvements when installed become the property of the Landlord, without compensation to the Tenant, but the Landlord will have no responsibility for the repair, replacement, operation, maintenance, or insurance of the Leasehold Improvements, which will remain the responsibility of the Tenant.

(b) At the end of the Term, the Tenant will, at its expense, remove the Leasehold Improvements to the extent requested by the Landlord and all furniture, furnishings, equipment, and trade fixtures and make good any damage caused to the Premises or the Building by such installation or removal, and restore the Premises to a condition of good and substantial repair, as required in clause 9.2. If the Tenant does not remove any Leasehold Improvements, or its furnishings, furniture, or equipment as required by the Landlord, the Landlord may, without liability on its part, without notice to the Tenant, enter the Premises and remove such items at the Tenant's expense, plus an administration charge of 15% of such amount, which will be paid by the Tenant to the Landlord as Additional Rent, on demand.

16.3 Tenant to Discharge All Liens

The Tenant will promptly pay all its contractors, subcontractors, and material suppliers and do all things necessary to ensure that no lien is claimed against the Premises or the Land or any other part of the Building, and should a claim of lien be filed, the Tenant will cause it to be discharged or vacated at the Tenant's expense within seven days after it is brought to the attention of the Tenant or provide adequate security for it to the extent approved by the Landlord.

16.4 Tenant's Signs, Awnings, and Canopies

The Tenant will not place or permit to be placed or maintained on the roof or on any exterior or interior door, wall or window of the Premises, or elsewhere in the Building any sign, awning, canopy, decoration, lettering, advertising matter, or other thing of any kind and will not place or maintain any decoration, lettering, or advertising matter on the glass of any window or door of the Premises without first obtaining the Landlord's written consent, which will not be unreasonably withheld.

17. DEFAULT OF TENANT

17.1 Tenant's Default

if:

- (a) the Tenant fails to pay any Rent or any other amount owing under this Lease when due, whether or not demanded by the Landlord;
- (b) the Tenant fails to observe or perform any of its other obligations under this Lease and the Tenant has not, within seven days after notice from the Landlord specifying the default, cured the default, or, if the cure reasonably requires a longer period, the Tenant has not commenced to cure the default within the seven-day period and thereafter does not diligently pursue the cure of such default;
- (c) re-entry is permitted under other terms of this Lease; or
- (d) without the consent of the Landlord the Premises are vacant for 10 days or more;

the Landlord, in addition to any other right or remedy, may do any or all of the following:

- (e) re-enter and remove all persons and property from the Premises, and the property may be removed and stored elsewhere at the cost of and for the account of the Tenant, all without service of notice and without the Landlord being guilty of trespass or being liable for loss;
- (f) terminate this Lease and all of the Tenant's rights under it; and
- (g) apply all or part of the Security Deposit to rectify in whole or in part the default.

17.2 Bankruptcy

if:

- (a) any of the goods and chattels of the Tenant on the Premises during the Term are seized by a creditor or the Tenant receives a notice from a creditor that the creditor intends to realize on security located on the Premises;
 - (b) a receiver is appointed to control the conduct of the business of the Tenant on or from the Premises;
 - (c) the Tenant becomes bankrupt or insolvent or takes the benefit of any legislation in force for bankrupt or insolvent debtors;
 - (d) proceedings are instituted for the winding-up or termination of the corporate existence of the Tenant;
 - (e) without the consent of the Landlord the Tenant abandons or attempts to abandon the Premises or disposes of the bulk of its goods and chattels on the Premises; or
 - (f) the Lease or the Tenant's assets are taken under a writ of execution or security instrument;
- then the Landlord may re-enter and take possession of the Premises as though the Tenant or other occupant was holding over after the expiration of the Term and this Lease may, at the Landlord's option, be immediately terminated by notice left at the Premises.

17.3 Acceleration of Rent

If any of the events in clause 17.2 occurs, the then-current month's Rent and the Rent for the next three months, including Additional Rent, will immediately become due and payable as rent in arrears, and the Landlord may recover it in the same manner as rent in arrears including taking distress action.

17.4 Right to Relet

- (a) If the Landlord re-enters, it may at its option, without terminating the Tenant's rights, make alterations and repairs to facilitate reletting, and relet the Premises, or any part, as the Tenant's agent for such period of time and at such rent and on such other terms as the Landlord wishes.
- (b) Upon reletting, all rent and monies received by the Landlord will be applied, first to the payment of indebtedness other than rent due from the Tenant to the Landlord, second to the payment of costs and expenses of the reletting including brokerage, legal, and repair expenses, and third to the payment of rent due and unpaid under this Lease. The residue, if any, will be applied to the payment of future rent as it becomes due and payable.
- (c) If at any time the rent received from the reletting is less than the rent to be paid under this Lease, the Tenant will pay the deficiency to the Landlord to be calculated and paid monthly.

17.5 Re-entry

No re-entry or entry will be construed as an election by the Landlord to terminate this Lease unless a written notice of intention to terminate is given to the Tenant. Despite a reletting without termination, the Landlord may elect at any time to terminate this Lease for a previous breach.

17.6 Landlord Performs Tenant's Covenants

If the Tenant fails to perform an obligation under this Lease, the Landlord may perform the obligation and may enter the Premises without notice and do everything the Landlord considers necessary. The Tenant will pay as Additional Rent all costs and expenses incurred by the Landlord plus 15% overhead upon presentation of a bill. The Landlord will not be liable for any loss or damages resulting from negligence or otherwise resulting from such action.

17.7 Damages

If the Landlord terminates this Lease, then in addition to other remedies, it may recover from the Tenant all costs incurred and damages suffered, including the cost of recovering the Premises, professional fees and disbursements paid, the unamortized portion of any allowance or inducement, and the worth at the time of termination of the excess, if any, of the amount of rent and charges equivalent to rent for the remainder of the term over the then reasonable rental value of the Premises for the remainder of the Term calculated on a present value basis, all of which amounts will be immediately due and payable.

17.8 Distress

None of the property of the Tenant is exempt from levy by distress. This clause may be pleaded as estoppel against the Tenant in an action brought to claim exemption.

18. REMEDIES OF LANDLORD AND WAIVER

18.1 Remedies Cumulative

No exercise of a specific right or remedy by the Landlord or by the Tenant precludes it from, or prejudices it in, exercising another right or pursuing another remedy or maintaining an action to which it may otherwise be entitled either at law or in equity.

18.2 No Waiver

The waiver by the Landlord or the Tenant of a breach of an obligation in this Lease will not be considered to be a waiver of a subsequent breach of that obligation or another obligation.

19. ACCESS BY LANDLORD

19.1 Right of Entry

- (a) The Landlord and its agents may enter the Premises at all reasonable times to examine them and to show them to a prospective purchaser, lessee, or mortgagee.
- (b) The Landlord may make alterations, additions, and adjustments to and changes of location of the pipes, conduits, wiring, ducts, and other installations of any kind

in the Premises where necessary to serve another party of the Building, but the Landlord will take commercially reasonable steps to minimize any disruption of the Tenant's business.

(c) If after reasonable notice to the Tenant (except in the case of an emergency when no prior notice is required), the Tenant is not present to open and permit entry into the Premises when the Landlord requires entry, the Landlord or its agents may enter by a master key or may forcibly enter without rendering the Landlord or its agents liable for any damage or trespass and without affecting this Lease.

20. RULES AND REGULATIONS

20.1 Landlord May Make

The Landlord from time to time may establish, modify, and enforce reasonable rules and regulations regarding the use and occupancy of the Common Areas and Facilities of the Building and of the premises set aside by the Landlord for leasing to tenants of the Building. A set of the most recent rules and regulations are annexed to this Lease as Schedule 2.

21. LANDLORD'S COVENANTS AND OBLIGATIONS

21.1 Taxes

Subject to Article 4, the Landlord will pay all real property taxes (including local improvement rates) that may be assessed by a lawful authority against the Building.

21.2 Quiet Enjoyment

Subject to the observance and performance by the Tenant of all of its obligations under this Lease, the Tenant may use and possess the Premises, in accordance with the provisions of this Lease, for the Term without interference by the Landlord, or any other party claiming by, through or under the Landlord, except as otherwise provided in this Lease.

22. OVERHOLDING

22.1 No Tacit Renewal

If the Tenant remains in possession of the Premises after the end of the Term and without the execution and delivery of a new lease or written renewal or extension of this Lease, there is no tacit or other renewal of this Lease, and the Tenant will be considered to be occupying the Premises as a Tenant from month to month at a monthly rental payable in advance on the first day of each month equal to the sum of:

(a) twice the monthly installment of Minimum Rent payable for the last month of the Term; and

(c) 1/6 of the amount of Additional Rent payable by the Tenant for the Lease Year immediately preceding the last Lease Year of this Lease,

and otherwise upon the terms and conditions set out in this Lease, so far as applicable.

23. OPTION TO EXTEND

23.1 Option to Extend

Provided that:

- (a) the Tenant pays the Rent and all other monies payable by it under this Lease and performs and has consistently performed all of its obligations under this Lease punctually and in accordance with this Lease and is otherwise not then in default of any of its obligations to the Landlord, and

- (b) the original Tenant has not assigned this Lease or sublet or permitted a change in occupancy or other transfer of the Premises, and
- (c) there has been no change in Control of the Tenant,

then the Tenant will have the option of extending this Lease by notice in writing given to the Landlord not later than six months nor earlier than eight months prior to the expiry of the Term for TWO additional terms of three years on the same terms and conditions set out in this Lease, except that:

- (d) any extension of this Lease will be limited to three years each and will be limited to two in number, and there will be no further extensions, unless otherwise agreed in writing by the Landlord and the Tenant;

- (e) the Minimum Rent to be paid during each extension term will be the fair market rent at the time of the exercise of the option for space of comparable size, quality, and location to that of the Premises as determined by the Landlord prior to the execution of any extension of the Term, and

- (f) concerning any extension term, the Landlord will have no obligation to pay or provide to the Tenant any allowance, concession, or inducement of any nature, or provide any free rent or discounted rent of any nature, or provide any fixturing period, or do or perform any work in the Premises.

23.2 Renewal Documentation

- (a) The Landlord may, at its option, and at the Tenant's expense, require that the Tenant enter into an agreement prepared by the Landlord to give effect to the extension term.

- (b) During the period, if any, between the expiration of the Term, or most recent extension term, and the date upon which the new extension rent is determined, the Tenant will pay Rent at the rates and in the manner provided for in this Lease for the period immediately preceding the expiry of the Term or most recent extension term and, following determination of the extension rent, the Tenant will pay to the Landlord interest, at the Prime Rate.

25. MISCELLANEOUS

25.1 No Partnership

The Landlord does not in any way or for any purpose become a partner of, or joint venturer or a member of a joint enterprise with, the Tenant. No provision of this Lease is intended to create a relationship between the parties other than that of landlord and tenant.

25.2 Independent Legal Advice

The parties hereto acknowledge and agree that each of them has been advised to seek, had the opportunity to seek, and was not prevented from seeking independent legal advice prior to the execution and delivery of this Lease and that, if any party hereto did not avail itself, himself or herself of that opportunity prior to signing this Lease, that party did so voluntarily without any pressure or influence by any other party hereto and agrees that its, his or her failure to obtain independent legal advice may not be used by such party as a defence to the enforcement of such party's obligations under this Lease.

25.3 Interpretation

Where the context requires, the singular includes the plural and vice versa, and the masculine, feminine, and neuter include each other. If two or more individuals or entities comprise the Tenant, the liability of each of them under this Lease is joint and several.

25.4 Registration

This Lease will not be registered in the land title office and the Landlord will not be required to deliver it in registrable form.

25.5 Interest

All overdue monies payable to the Landlord by the Tenant on any account will bear interest at the rate equal to the annual rate of interest announced by the Royal Bank of Canada as a reference rate for its commercial loans made in Canada, plus 6%, from the due date until paid in full.

25.6 Notices

Any notice to be given under this Lease will be considered to be given to the Tenant if delivered by hand to the Tenant or a responsible representative of the Tenant at the Premises, or if two attempts to deliver at reasonable times have been unsuccessful, if tacked in a prominent place at the Premises. Any notice to be given under this Lease will be considered to be given to the Landlord if delivered by hand to the Landlord or a responsible representative of the Landlord at the Landlord's address noted on Page 1, or if mailed by prepaid registered post to the Landlord's address noted on Page 1. Notices will be considered to have been received if delivered by hand upon delivery, if tacked at the Premises upon tacking, or if mailed upon the fifth business day following posting.

25.7 Time of Essence

Time is of the essence in this Lease.

25.8 Severance

If any provision of this Lease or the application to any person of any provision is held to be invalid or unenforceable, the remainder of this Lease or its application will not be affected.

25.9 No Modification

No representation, understanding, or agreement has been made or relied upon except as expressly set out in this Lease. This Lease may only be modified in writing signed by each party against whom the modification is enforceable.

25.10 Successors

This Lease binds and benefits the parties and their respective heirs, administrators, successors, and permitted assigns. No rights benefit an assignee of the Tenant unless the Landlord has consented to the assignment under Article 13 of this Lease. If the Landlord sells or transfers the Lands, the Building or both, the Tenant will at the option of the transferee either attorn to the purchaser or enter into a new lease of the Premises on the same terms and conditions.

25.11 Peaceful Surrender

The Tenant will at the expiration or sooner determination of the Term, immediately surrender the Premises in a peaceable way and in the state of repair specified in clause 9.2.

25.12 Entire Agreement

This Lease contains all the representations, warranties, covenants, agreements, conditions, and understandings between the Landlord and the Tenant concerning the Premises or the subject matter of this Lease.

25.13 Governing Law

This Lease will be interpreted under and is governed by the laws of the Province of British Columbia.

25.14 Execution in Counterpart

This Lease may be signed by the parties hereto in as many counterparts as may be necessary, each of which so signed shall be deemed to be an original, and such counterparts together shall constitute one and the same instrument and, notwithstanding the date of execution, shall be deemed to bear the effective date set forth above.

TO EVIDENCE THEIR AGREEMENT each of the parties has executed this Lease on the date first appearing above.

SITA FOODS LTD.

Per:

Authorized Signatory

Authorized Signatory

KAVALA HOLDINGS LTD.

Per:

Authorized Signatory

Authorized Signatory

PLAN OF PREMISES

SCHEDULE 2

RULES AND REGULATIONS

1. Refuse

If the Tenant's garbage is of a deteriorating nature, creating offensive odours, the Tenant will utilize and maintain at its cost and expense refrigerated facilities as required by the Landlord.

2. Overloading, Suspension

(a) The Tenant will not overload any floor of the Premises in excess of 100 pounds per square foot.

(b) The Tenant will not hang or suspend from any wall or ceiling or roof, or any other part of the Building, any equipment, fixtures, signs, or displays that are not first authorized by the Landlord.

3. Electrical Equipment

If the Tenant requires any electrical equipment that might overload the electrical facilities in the Premises, the Tenant will submit to the Landlord plans and specifications for works required to install and supply additional electrical facilities or equipment to prevent such overloading and will obtain the Landlord's prior written approval to perform the works, which will meet all applicable regulations and codes, including without limitation, the requirements of the Landlord's insurers, and will be installed at the Tenant's sole expense. The Landlord reserves the right to install such additional equipment at the Tenant's expense, which will not exceed 15% of the cost of the additional equipment.

4. Plumbing

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

5. HVAC Operation

- (a) The Tenant will not directly or indirectly appropriate heating or cooling from other portions of the Building unless it is unavoidable, due to the nature of the HVAC design of the Building.
- (b) The Tenant will not leave open any doors or windows to the exterior of the Building that would adversely affect the performance of any HVAC equipment in the Building.

6. Pests

Should the Premises become infested with rodents, vermin, or other pests, the Tenant will immediately remedy the same and will use such pest-extermination contractor as the Landlord may direct.

7. Notice of Accident, Defects

The Tenant will give immediate notice to the landlord in case of fire or accident in the Premises or of defects in the Premises or to any fixtures or equipment in them.

8. Emergency Contacts

The Tenant will provide the Landlord with the names, addresses, and telephone numbers of two authorized employees of the Tenant who may be contacted by the Landlord if an emergency relative to the Premises arises.

9. Further Rules and Regulations

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