

THE CORPORATION OF THE CITY OF PETERBOROUGH

BY-LAW NUMBER 08-012

**BEING A BY-LAW TO AUTHORIZE A LEASE OF PREMISES AT
THE PETERBOROUGH MUNICIPAL AIRPORT FROM 1297098
ONTARIO INC.**

THE CORPORATION OF THE CITY OF PETERBOROUGH BY THE
COUNCIL THEREOF HEREBY ENACTS AS FOLLOWS:

1. That the Mayor and Clerk be hereby authorized to execute an agreement between the Corporation of the City of Peterborough and 1297098 ONTARIO INC. in the form attached hereby as Schedule "A", and to affix the Seal of the Corporation thereto.

By-law read a first, second and third time this 21st day of January 2008.

(Sgd.) D. Paul Ayotte, Mayor

(Sgd.) Nancy Wright-Laking, City Clerk

LEASE

DATED January 10, 2008

BETWEEN:

1297098 Ontario Inc.

155 Roper Drive
Peterborough, Ontario
K9J 6K3

("Landlord")

- and -

The Corporation of the City of Peterborough

500 George Street North
Peterborough, Ontario
K9H 3R9

("Tenant")

FOR VALUE RECEIVED, the Landlord and Tenant agree as follows:

1. Definitions

- (a) **"Building"** means the building known as Building #18 (Vector Air Limited Hangar) at the Peterborough Municipal Airport;
- (b) **"Commencement Date"** means the latter of (i) January 15, 2008 and (ii) the date the Tenant moves into the Premises or February 1, 2008, whichever comes first;
- (c) **"Monthly Rent"** means a monthly rental of \$1,250 Canadian dollars;
- (d) **"Premises"** means the office premises in the Building shown cross-hatched on Schedule "A";
- (e) **"Term"** means the period from the Commencement Date until January 31, 2010.

2. Lease

The Landlord hereby leases to the Tenant and the Tenant hereby leases from the Landlord the Premises to have and to hold for the Term. The Tenant shall have the right to extend the Term from February 1, 2010 to May 31, 2011 on the same terms and conditions as this Lease, save and except for this right to extend and for the Monthly Rent, which will be \$1,500 per month. Should both parties agree, the Term may be extended for an additional five (5) year term from May 31, 2011 to May 31, 2016. In the event that the Landlord and the Tenant agree to extend the Term and are unable to agree upon the fair market value to be paid by the Tenant during the said extended term by February 28, 2011, then the determination of rent shall be submitted to arbitration, the cost of which shall be borne equally by the parties. Any such arbitration shall be conducted by the arbitrators, one to be appointed by the Landlord, one to be appointed by the Tenant and the two arbitrators so appointed shall appoint a third arbitrator.

3. Rent

The Tenant will pay the Monthly Rent to the Landlord on the 1st day of each and every month during the Term.

4. Last Month's Rent

The Tenant will deposit with the Landlord an amount equal to the Monthly Rent for the last month of the Term.

5. Utilities and Taxes

- (a) The Landlord will pay all municipal realty taxes, electricity charges, water charges and charges related to heating and cooling the Premises. The Tenant will pay all other costs associated with its use of the Premises, including charges for telephone and other communications facilities and janitorial services.
- (b) The Tenant shall pay when due all taxes, rates, duties, levies, assessments, licence fees and other charges (including municipal business taxes, if applicable) in respect of the business carried on in the Premises, if levied against the Building or the Landlord.

6. Condition of Premises, Fixtures and Improvements

- (a) The Premises will be provided to the Tenant in their "as is" condition.
- (b) The Tenant will not make any alterations or improvements or install any fixtures, unless the Tenant has received the prior written consent of the Landlord.
- (c) All alterations, additions, fixtures, decorations and improvements made by the Tenant immediately become the property of the Landlord upon affixation or installation and will not be removed from the Premises unless permitted or required by the Landlord. At the expiration of the Term, the Tenant will, at the Tenant's cost, remove all decorations, fixtures and improvements which the Landlord requires the Tenant to remove, failing which the Landlord may remove same at the Tenant's expense.
- (d) The Tenant will pay to the Landlord the cost of repairing any damage caused by the installation and/or removal of any alterations, additions, decorations, fixtures or improvements.

7. Access To Premises and Other Areas of Building

- (a) The Tenant will have the non-exclusive right to access the Premises through the Building's front door and hallway and to use the washrooms located on the ground floor of the Building. The Tenant will not enter any areas of the Building not necessary to access the Premises or the washrooms. The Tenant will comply with all directions from the Landlord relating to secure access to the Building and the Premises.
- (b) Subject to s.6, the Tenant will have the right to install an antenna in a location approved by the Landlord on the exterior of the Building.
- (c) The Tenant will not install any signage on the exterior of the Premises or the Building without the prior written consent of the Landlord, which consent may be unreasonably or arbitrarily withheld.

- (d) The Tenant will have the right to install Electrical Test Equipment, specific to its avionics repair operation, in a location approved by the landlord in the leased area. The Electrical Test Equipment will be properly installed by a certified electrician and will conform to meet all Electrical Code Requirements of the Province of Ontario.

8. Repair

- (a) The Tenant will maintain the Premises in a state of cleanliness and good repair. The Tenant will be responsible for the cost of repairs resulting from any damage caused to the Premises by the conduct of the Tenant or that of persons who are permitted on the Premises by the Tenant or which damage results from the Tenant's negligence, wilful act, breach of law or breach of any of the Tenant's covenants hereunder. The Tenant will leave the Premises in a state of cleanliness and good repair upon termination of this lease.
- (b) Subject to s.13(e), the Landlord will be responsible for the maintenance and repair of: (i) the Building, other than the interior of the Premises and (ii) the heating, electrical and plumbing systems serving the Building and the Premises.
- (c) The Tenant will promptly notify the Landlord of any repair which is the responsibility of the Landlord and the Landlord will be permitted to enter the Premises for the purpose of viewing and making any such necessary repairs. The Landlord will be permitted a reasonable time within which to make any such repairs that are necessary.

9. Use

The Tenant will use and occupy the Premises only as an avionics sales and services establishment, including office space for such establishment.

10. Quiet Enjoyment

The Tenant will have quiet enjoyment of the Premises.

11. Nuisance

The Tenant will not do anything or permit anything to be done on the Premises which may be annoying to the Landlord or which the Landlord may deem to be a nuisance on the Premises (including the generating of radio or other frequencies that interfere with the operation of the equipment of others) or which may cause the insurance on the Premises to be increased.

12. Entry by Landlord

The Landlord may enter the Premises upon prior written notice to the Tenant given at least twenty-four hours before the time of entry. Notice need not be given, in the event of an emergency or access to the electrical room and furnace room, located within the rented premises for servicing.

13. Insurance, Release and Indemnity

- (a) The Tenant shall effect and maintain during the Term at its sole cost and expense: (i) “all risks” insurance upon all property owned by or in the possession of the Tenant, including equipment, furniture, fixtures and improvements, in amounts sufficient to fully cover, on a replacement cost basis without deduction for depreciation, all such items; (ii) aviation general liability – premises liability insurance on an occurrences basis, against claims for bodily injury, personal injury, economic loss and property damage arising from occurrences in or about the Building or arising from or in any way relating to Tenant’s use or occupying of the Premises or the Building, with per occurrence limits of no less than \$2,000,000; (iii) Tenant’s legal liability insurance for the full replacement cost of the Building and its contents, including aircraft; and (iv) any other form of insurance that the Landlord may reasonably require from time to time.
- (b) Each of the Tenant’s policies of insurance shall be in a form and with insurers acceptable to the Landlord, acting reasonably, have reasonable deductibles, and: (i) all property damage insurance shall include, as additional insureds (but without liability for premiums) as its interest may appear, the Landlord and other persons with an interest in the Building from time to time designated in writing by the Landlord; (ii) all liability insurance shall include as additional insureds (but without liability for premiums) the Landlord and any other persons with an interest in the Building from time to time designated in writing by the Landlord; (iii) all property damage and liability insurance shall contain provisions for cross-liability and severability of interests among the Landlord, the other insureds and the Tenant; and (iv) all property damage insurance shall contain a waiver of any rights of subrogation which the insurer may have against the Landlord, the other insureds and those for whom the Landlord is in law responsible whether the damage is caused by the act, omission or negligence of the Landlord or such other persons.
- (c) The Tenant shall provide to the Landlord, prior to the Commencement Date, certified copies or other evidence satisfactory to the Landlord that the Tenant has obtained all insurance policies required by this Lease and shall provide written evidence of the continuation of such policies not less than ten days prior to their respective expiry dates. Each policy required pursuant to this s.13 shall provide that: (a) the insurer must notify the Landlord in writing at least 30 days prior to any material change detrimental to the Landlord or the cancellation of any such policy; (b) the policy shall not be invalidated in respect of the interests of the Landlord or any other additional insureds by reason of any breach or violation of any warranties, representations, declarations or conditions contained in such policy; and (c) the policy shall be non-contributing with, and shall apply only as primary and not excess, to any other insurance available to all and any of the Landlord or any other additional insured referred to above.

- (d) The Tenant hereby releases any and all claims, actions, causes of action, damages, losses and other liabilities and expenses for or related to: (i) any bodily injury, personal injury or death of the Tenant or any of its agents, officers, contractors, employees, invitees, licensees and any other person for whom the Tenant is legally responsible in or about the Building or the Premises and (ii) any loss or damage to property owned by the Tenant or by others and for which property the Tenant is responsible in or about the Building or the Premises, except if caused by the Landlord's wilful act or negligence.
- (e) The Tenant shall indemnify and save harmless the Landlord from and against any and all claims, actions, causes of action, damages, losses and other liabilities and expenses (including without limitation, those in connection with bodily injury (including death) or damage to property and legal fees on a solicitor and client basis) due to or arising from or out of any occurrence in, on or at the Premises or any other part of the Building occasioned wholly or in part by any act or omission of the Tenant, its officers, employees, agents, contractors, invitees, licensees or by any Person permitted by the Tenant to be on the Premises or the Building or due to or arising out of any breach by the Tenant of this Lease.

14. Damage and Destruction

In the event of damage to the Premises sufficient to prevent the Tenant from carrying on business at the Premises, the Landlord may, but need not, terminate this Lease by written notice to the Tenant, in which case this Lease will be deemed to have been terminated by mutual agreement effective as of the date of the Landlord's notice to the Tenant.

15. Abandonment

In case the Premises shall be abandoned or vacated, the Landlord, in addition to all other rights hereby reserved to the Landlord or available at law, has the right to enter the same as the agent of the Tenant, either by force or otherwise, without being liable for any prosecution therefore, and to re-let the Premises as agent of the Tenant and to receive the rent therefore. If the rent hereunder is overdue and the Premises are vacant, it shall be presumed that the Tenant has vacated or abandoned the Premises and the Landlord shall be entitled to take immediate possession thereof. Nothing contained in this Lease and no entry made by the Landlord hereunder shall in any way release the Tenant from payment of the rent hereby reserved during the Term beyond such sum as may be actually received by the Landlord by the re-letting, as provided for in this paragraph.

16. Termination

- (a) If the Tenant remains in occupation of the Premises after the expiration of the Term hereby granted without a written agreement to the contrary, the Tenant shall not be deemed to be a tenant from year to year, but shall be a monthly tenant at a rental equivalent to twice the Monthly Rent subject to any increase in rent of which the Tenant has received written notice, and all the terms and conditions hereof, so far as applicable, shall apply to such monthly tenancy.
- (b) During the 120 day period preceding the expiration of the Term, the Landlord will have the right, at reasonable times during daylight hours, to enter and show the premises to prospective tenants.

17. Assignment, Subletting

The Tenant will not assign this Lease or sublet, share or part with possession of the whole or any part of the Premises (a "Transfer") without first obtaining the consent of the Landlord, which consent may be unreasonably or arbitrarily withheld. A change of control of a corporate tenant will constitute a Transfer for which consent is required. Notwithstanding the foregoing, the Landlord consents to the use of the Premises by Toronto Avionics and, in the event Toronto Avionics defaults in its obligations to the Tenant in using the Premises, to the sublease of the Premises to Flying Colours Corp. or its designate, provided that Flying Colours Corp. or its designate covenant in writing with the Landlord to perform all of the Tenant's obligations pursuant to this Lease.

18. Locks

The Tenant will not, during the occupancy of the Premises by the Tenant, alter or cause to be altered the locking system on any door giving entry to the Premises without the consent of the Landlord. The Landlord may change any locking system for the Premises provided that the Landlord gives to the Tenant copies of any keys necessary for access to the Premises.

19. Compliance with Laws

The Tenant will not do or permit anything to be done on the Premises or bring or keep anything therein which will in any way increase the risk of fire or the rate of fire insurance on the Premises, or on property kept therein, or conflict with the laws relating to fires or with any insurance policy upon the Premises, or conflict with any federal, provincial or municipal laws, rules, regulations, orders or by-laws.

20. Law and Interpretation

- (a) The Landlord is not responsible for any delays in the performance of the Landlord's covenants hereunder to the extent that such delays are beyond the reasonable control of the Landlord.
- (b) Wherever in this agreement there is any mention of or reference to the Landlord or the Tenant, such mention or reference shall be deemed to extend to and include the heirs, executors, personal representatives, successors and permitted assigns of the Landlord and of the Tenant and permitted sub-tenants of the Tenant as the case may be. When the context so requires, the singular number shall be read as if the plural were expressed and the masculine gender as if the feminine were expressed. If there is at any time more than one Tenant or more than one person constituting the Tenant, their covenants shall be considered to be joint and several and shall apply to each and every one of them.
- (c) The Tenant acknowledges that the Landlord leases the land on which the Building is situated from the Corporation of the City of Peterborough pursuant to a land lease dated June 1, 2003, which the Tenant shall abide by.

IN WITNESS WHEREOF the parties have executed this Lease.

1297098 Ontario Inc.

By: _____
Blake Law, President

The Corporation of the City of Peterborough

By: _____
Name:
Title:

Schedule "A"