



Regular Council Meeting

To:	Mayor and Council
Date:	March 3, 2025
From:	Bill Balfour Fire Chief
Report Number:	Fire Department 2025-02
Subject:	Fire Station Completion and Revised Lease Agreement

Recommendations:

- 1) That Council receive Fire Department 2025-02 regarding the final cost for new Fire Station No. 1 Project; and
- 2) That Council execute the attached revised lease agreement, for paramedic emergency services located at the New Fire and Ambulance Station, between the County of Peterborough and the Township of Cavan Monaghan; and
- 3) That Council sign By-law No. 2025-14 to authorize the execution of the Lease agreement between the County of Peterborough and the Township of Cavan Monaghan.

Overview:

The new Fire Station No. 1 project has reached completion and is fully operational as of January 8, 2025. Both Peterborough County City Paramedics and Cavan Monaghan Fire Department are providing service from the new Fire Station No. 1.

The Fire Station project began its design phase in 2021, with a redesign approved through Fire Department Report 2021-02. This report serves to provide Council an update on the Fire Station Project and the final costs including the factors of the budget overages.

Council approved the construction of a New Fire Station with a total budget of \$8,089,510; comprised of \$110,000 for preliminary design (Finance 2022-02 Capital) and \$7,979,510 for the Capital Construction (Fire 2022-02).

The total Fire Station Capital costs, including additional works to be completed in 2025, is \$9,193,079.00 The total deficit portion of the project is \$1,103,569.00.

The County of Peterborough was a partner in the Fire Station project and an agreement outlining the terms of the agreement were approved by Council in Fire department report 2023-06 The basic rent portion of the agreement, was approved by Council to be utilized to offset the Capital Debenture repayments of the Fire Station project. When the debenture is fully paid, the funds will be transferred to a dedicated reserve for Fire Department capital requests.

As the contract with Gay Co has closed, the project's budget over expenditure(deficit) of \$1,103,569.00 has been a result of several key factors. Inflation, including a 3.3% increase in the construction price index over the multi-year timeline, higher costs for labor, materials, and services. Constructability challenges arose during the construction phase, requiring revised work plans, extended timelines, and additional materials, which resulted in delay claims from trades involved in the project. Furthermore, expanded technology requirements, including network systems and design specifications for leaseholder improvements, which exceeded initial budget estimates and the hiring of a new engineering firm and project management team.

Cambium Inc. was engaged to address project challenges, ensuring adherence to the revised schedule while maintaining the approved overall scope. Their expertise in project management and contract administration was instrumental in delivering a high-quality, functional facility designed to serve the community for the next 40 to 50 years. Additionally, Cambium identified efficiencies within contractual obligations with various vendors, enhancing the building's overall functionality, performance, and energy efficiency.

Following these enhancements along with leaseholder improvement requests, a revision to the agreement with Peterborough County was requested to reflect the requested changes. In response to this request, Peterborough County Council approved a new agreement with updated basic rent rates on February 19, 2025. The previous lease agreement was endorsed by Council in Fire Department Report 2023-07. While the overall terms within the agreement remains unchanged, adjustments were made solely to the Township's revenue section, as outlined below.

With County Council's approval of these amendments, Council's approval of the revised rates is now being requested for the increased rates to be received by the Township.

The previous and updated basic rent rates are as follows:

Old Basic Rate Outlined in Lease Agreement

Period	Annual Rate (per sq. ft. of Rentable Area)	Annual Amount (plus Sales Taxes)	Monthly Amount (plus Sales Taxes)
Years 1 – 10	\$15.50	\$47,709.00	\$3,975.75
Years 11 – 20	\$16.50	\$50,787.00	\$4,232.25

New Basic Rate Outlined in Lease Agreement

Period	Annual Rate (per sq. ft. of Rentable Area)	Annual Amount (plus Sales Taxes)	Monthly Amount (plus Sales Taxes)
Years 1 – 10	\$18.50	\$56,943.00	\$4,745.25
Years 11 – 20	\$20.00	\$61,560.00	\$5,130.00

Certain project elements were removed from Gay Co.'s contract to ensure completion of project and address seasonal constraints, such as winter weather, which would have delayed progress and extended contractual obligations with various contractors. These remaining items below will be overseen by Township staff to ensure their completion in 2025. The outstanding work(s) includes:

Work(s) left to complete	Estimated cost
Landscaping and topsoil	\$50,000.00
Asphalt between Buildings and Grading	\$25,000.00
Bollards at Municipal office	\$10,000.00
Sidewalk Railing and Design	\$45,000.00
Furnace roof access safety	\$10,000
Total including Municipal HST	\$140,000.00

The items identified as outstanding work(s) have been included in total project deficit, as detailed in the report presented to Council for approval and Financing options for Council's consideration will be outlined in Finance Report 2025-03, which is scheduled to be brought forward on March 3, 2025.

Financial Impact:

Council approved the construction of a New Fire Station with a total budget of \$8,089,510; comprised of \$110,000 for preliminary design (Finance 2022-02 Capital) and \$7,979,510 for the Capital Construction (Fire 2022-02).

The total Fire Station Capital costs, including additional works to be completed in 2025, is \$9,193,079.00 The total deficit portion of the project is \$1,103,569.00.

Council had directed staff to report back with alternative financial options R-2024-264 (October 7, 2024) and therefore a comprehensive report on three capital projects, including the Fire Station, is presented in the Finance Report 2025-03. This approach will allow Council to evaluate funding options for all three projects together

Attachment:

Attachment No. 1 By-law No. 2025-14

Respectfully Submitted by,

Reviewed by,

Bill Balfour
Fire Chief

Yvette Hurley
Chief Administrative Officer

The Township of Cavan Monaghan

By-law No. 2025-14

Being a by-law to execute a revised lease agreement between the Township of Cavan Monaghan and the County of Peterborough

Whereas Section 11 of the Municipal Act, 2001, as amended, states that a lower-tier municipality may pass by-laws respecting matters within their spheres of jurisdiction;

And Whereas the Township of Cavan Monaghan deems it desirable to enter into and execute a revised Agreement with the County of Peterborough for the lease of space within the Fire Hall as described within the Agreement;

And Whereas the Township of Cavan Monaghan deems it necessary to repeal in its entirety By-law No. 2023-64, containing the original Agreement, and pass a by-law containing the revised Agreement;

Now Therefore, the Council of the Township of Cavan Monaghan hereby enacts as follows:

1. That the Mayor and Clerk are hereby authorized and directed to execute the agreement with the County of Peterborough.
2. That the agreement is attached as Schedule 'A' to this By-law.
3. That By-law No. 2023-64 be repealed in its entirety.

Read a first, second and third time and passed this 3rd day of March, 2025.

Matthew Graham
Mayor

Cindy Page
Clerk

Schedule 'A' – Lease Agreement

THE CORPORATION OF THE TOWNSHIP OF CAVAN MONAGHAN

(LANDLORD)

- and -

THE CORPORATION OF THE COUNTY OF PETERBOROUGH

(TENANT)

LEASE

Project: New Fire Station No. 1, Highlands Boulevard, Millbrook, Ontario

Premises: Approximately 3,078 square feet, outlined in red on Schedule "A"

LEASE

THIS LEASE dated as of the 14th day of April, 2023.

BETWEEN:

THE CORPORATION OF THE TOWNSHIP OF CAVAN MONAGHAN

(hereinafter called “**Landlord**”)

OF THE FIRST PART;

- and -

THE CORPORATION OF THE COUNTY OF PETERBOROUGH

(hereinafter called “**Tenant**”)

OF THE SECOND PART;

ARTICLE 1 LEASE SUMMARY

1.01 Lease Summary

The following is a summary of some of the basic terms of this Lease, which are elaborated upon in the balance of this Lease.

- (a) **Premises:** Two (2) ambulance bays, the offices and rooms as shown outlined in red on Schedule “A” attached hereto, having a Rentable Area of approximately 3,078 square feet;
- (b) **Term:** Twenty (20) years;
- (c) **Possession Date:** As set out in subsection 1(d);
- (d) **Fixturing Period:** Provided that: (i) the Tenant produces a certificate of insurance evidencing Tenant’s compliance with the insurance requirements set out in this Lease; (ii) the Tenant produces evidence that any utility account exclusive to the Premises (if any) has been registered in the Tenant’s name; (iii) the Landlord has approved the Tenant’s drawings and specifications; and (iv) the Tenant has provided evidence satisfactory to the Landlord that it has obtained all necessary permits and approvals for the Tenant’s Work, then the Tenant shall be granted access to the Premises for a period of sixty (60) days commencing on the date on which the Landlord’s Work is Substantially Completed (as defined herein) (the “**Fixturing Period**”), currently estimated to be April 1, 2024 (the “**Possession Date**”) for the purpose of constructing leasehold improvements and preparing the Premises for its intended use. During the Fixturing Period, the Tenant shall not be required to pay Basic Rent or Additional Rent (as hereinafter defined) to the Landlord, save and except for utilities consumed in the Premises and garbage removal costs, otherwise the Tenant shall abide by and adhere to all other terms and conditions of this Lease.

Notwithstanding anything to the contrary herein, the Possession Date may be advanced or deferred to the date on which the Landlord’s Work is substantially complete to the point where the Tenant may commence Tenant’s Work without undue interference by the Landlord (“**Substantially Complete**”) and which Possession Date, if advanced or deferred, is to be determined upon Landlord giving fifteen (15) calendar days’ prior written notice to the Tenant.

The Landlord shall make every reasonable effort to have the Landlord’s Work Substantially Complete on or before April 1, 2024 (the “**Target Possession Date**”), but if the Landlord’s Work is not completed on or before such Target Possession Date, this Lease shall not be void or voidable nor shall the Landlord be liable for any loss or damages whatever resulting therefrom and the Possession Date shall be deferred as set forth above.

If the Possession Date is delayed as a result of any of the Tenant’s own delays, failures, actions or omissions, including the Tenant’s failure to provide plans and specifications as required hereunder or as a result of the Tenant’s failure to obtain requisite permits/approvals or otherwise comply with the provisions of the Lease, then the Possession Date shall be such date upon which the Landlord would have turned over the Premises to the Tenant but for such delays or default or acts of the Tenant, and the Tenant shall not be entitled to any abatement or reduction of Rent or other payments or any other rights in respect thereof by reason of any delay in its occupancy.

The decision of the Landlord’s Architect as to (i) the date upon which the Landlord’s Work is Substantially Complete or the date upon which the Landlord’s Work would have been Substantially Complete but for any delay, default or act of the Tenant, (ii) Rentable Area of the Premises and of any other Useable Area or Rentable Area in the Project, and (iii) the availability of the Premises for possession by the Tenant, shall be final and binding upon the parties.

(e) **Commencement Date:** The day immediately following the expiry of the Fixturing Period;

(f) **Basic Rent:**

<u>Period</u>	<u>Annual Rate (per sq. ft. of Rentable Area)</u>	<u>Annual Amount (plus Sales Taxes)</u>	<u>Monthly Amount (plus Sales Taxes)</u>
Years 1 – 10	\$18.50	\$56,943.00	\$4,745.25
Years 11 – 20	\$20.00	\$61,560.00	\$5,130.00

(g) **Use of Premises:** The Tenant shall not use the Premises for any purpose other than for operating an ambulance facility and related offices, in accordance with applicable Laws and this Lease;

(h) **Address for Service of Notice on Tenant:**

The Corporation of County of Peterborough
 470 Water Street
 Peterborough, Ontario, K9H 3M3

Address for Service of Notice on Landlord:

Township of Cavan Monaghan
988 County Road 10
Millbrook, ON L0A 1G0
Attention: Ms. Yvette Hurley
Chief Administrative Officer
Deputy Clerk, Deputy Treasurer

ARTICLE 2 DEFINITIONS

2.01 Definitions

Unless specifically defined elsewhere in this Lease, where used in this Lease, the following words or phrases shall have the meanings set forth in the balance of this Article.

- (a) “Architect” means a professionally accredited architect, engineer, surveyor or other qualified person appointed by the Landlord from time to time.
- (b) “Building” means the entire building in which the Premises are located.
- (c) “Common Facilities” means all areas, facilities, systems, improvements, furniture, fixtures and equipment in or on the Project (excluding Leasable Areas not exclusively used or occupied by the Tenant or the Landlord) and the lands forming part of the Project.
- (d) “Fiscal Year” means the period used by Landlord for fiscal purposes in respect of the Project. Unless otherwise determined by Landlord by written notice to Tenant at any time or times, each Fiscal Year shall be a calendar year. In the event of a change in the Fiscal Year, or with respect to a partial Fiscal Year at the beginning or end of the Term, all appropriate adjustments resulting from a Fiscal Year being shorter or longer than twelve (12) months shall be made.
- (e) “Landlord’s Work” means the work to be performed by the Landlord, at its own cost, as more particularly set out in Schedule B attached hereto.
- (f) “Lands” means those lands consisting of the legal parcel or PIN on which the Building is located.
- (g) “Laws” means all statutes, regulations, by-laws, orders, rules, requirements and directions of all governmental authorities having jurisdiction.
- (h) “Lease” means this Lease including all of the schedules attached hereto.
- (i) “Leasable Areas” means all areas and spaces of the Project to the extent designated or intended from time to time by Landlord to be leased to tenants, whether leased or not, but excluding any parking areas and facilities, storage areas, and premises at or below grade used for sports, fitness or other recreational purposes.
- (j) “Operating Costs” means the aggregate of all expenses and costs of every kind for each fiscal period designated by Landlord, as determined in accordance with generally accepted

accounting principles and without duplication, incurred by or on behalf of Landlord with respect to the operation, maintenance, repair, replacement and management of the Project, and all insurance relating to the Project. Provided that if the Project is less than one hundred percent (100%) completed or occupied for any time, Operating Costs shall be adjusted to mean the amount obtained by adding to the actual Operating Costs during such time such additional costs and amounts as would have been incurred or otherwise included in Operating Costs if the Project had been one hundred percent (100%) completed, leased and occupied as determined by Landlord, acting reasonably. For clarification, Landlord shall be entitled to adjust upward only those amounts which may vary depending on occupancy.

- (1) Without in any way limiting the generality of the foregoing, Operating Costs shall include all costs in respect of the following:
 - (i) all remuneration, including wages and fringe benefits, of employees engaged in the operation, maintenance, repair, replacement and management of the Project;
 - (ii) fire sprinkler maintenance and security monitoring, if any, of the Project;
 - (iii) cleaning, parking striping, window cleaning and waste removal;
 - (iv) intentionally deleted;
 - (v) all utilities supplied to the Project including, without limitation, water, gas, electricity and sewer charges, excluding those charged directly to tenants of the Project;
 - (vi) landscaping and maintenance of all outside areas, including snow and ice clearing and removal and salting of driveways and parking areas and of sidewalks adjacent to the Project;
 - (vii) unless they are charged fully in the Lease Year in which they are incurred, all in accordance with commercially reasonable accounting practices applied in the real estate industry, depreciation or amortization (whether incurred before or during the Term), over the useful life (but not exceeding ten (10) years) of all improvements, furnishings, fixtures, equipment, machinery, systems, paving, and facilities constructed or installed in or used in connection with the Project which, by their nature, require periodic or substantial repair or replacement, or which are constructed, installed or used primarily to reduce the cost of other items included in Operating Costs, whether or not such other costs are in fact reduced, and interest on the undepreciated cost of all items in respect of which depreciation or amortization is included herein at two percent (2%) in excess of the prime rate of interest charged by Landlord's bank at Toronto as of the first day of each Fiscal Year;
 - (viii) all insurance which Landlord obtains and the cost of any deductible amounts payable by Landlord in respect of any insured risk or claim;
 - (ix) policing, supervision, security and traffic control;

- (x) maintenance, repairs (including major repairs) and replacements in respect of the Common Facilities including maintenance and repair of structural elements (but not repairs of inherent structural defects or weaknesses) of the buildings in the Project and maintenance, repairs and replacements of the roof membranes (and other non-structural elements of the roof) of such buildings
- (xi) all costs in the nature of Operating Costs in respect of areas, services and facilities outside the Project, such as sidewalks and boulevards, off-site utilities and other service connections, and in respect of areas, services and facilities shared by users of the Project and users of any other property, to the extent Landlord performs or contributes to the same as a result of its ownership of the Project;
- (xii) costs incurred in connection with the Premises and the Project (or either of them) that are intended as labour or energy saving devices or are intended to effect other savings in the maintenance or stability of services, to all or part of the Premises and the Project (or either of them) including, but not limited to, improvements necessary to achieve or maintain specific energy ratings, costs incurred to comply with Laws where the Laws did not apply at the time when permits for the construction of the Project were obtained, and reasonable allocations of the costs of acquiring technology, licenses, and systems and outsourced resources including data storage, call Project services and other services in the operation of the Landlord Properties;
- (xiii) intentionally deleted;
- (xiv) business taxes, if any, on Common Facilities;
- (xv) capital taxes, if any, payable by Landlord in respect of or resulting from Landlord's ownership or other interest in the Project or any part thereof; namely, any tax or taxes payable under any provincial or federal legislation based upon or computed by reference to the paid-up capital or place of business of Landlord as determined for the purposes of such tax or based upon or computed by reference to the taxable capital employed in Canada, or any similar tax levied, imposed or assessed in the future in lieu thereof or in addition thereto by any governmental authority, all of which shall be determined by Landlord's auditor or accountant, whose determination shall be final and binding;
- (xvi) capital costs incurred for any of the above up to TEN THOUSAND DOLLARS (\$10,000.00) for any one item;
- (xvii) Sales Taxes payable by Landlord on the purchase of goods and services included in Operating Costs (excluding any such Sales Taxes which are available to and claimed by Landlord as a credit or refund in determining Landlord's net tax liability on account of Sales Taxes, but only to the extent that such Sales Taxes are included in Operating Costs);

- (xviii) the fair rental value of space occupied by Landlord for management, supervisory or administrative purposes relating to the Project;
- (xix) third party accounting, legal, and other professional and consulting fees and disbursements incurred in connection with the operation of the Project, and the costs of administering, minimizing, contesting or appealing assessments of Realty Taxes (whether or not successful) through such third party;
- (xx) Reasonable administration fee not to exceed ten percent (10%) of Operating Costs.

The Landlord shall have the right to allocate Operating Costs, or some of them, to such portion(s) of the Project as determined by the Landlord, acting reasonably.

- (2) Operating Costs, however, shall be reduced by the following to the extent actually received by Landlord:
 - (i) proceeds of insurance and damages received by Landlord from third parties to the extent of costs otherwise included in Operating Costs;
 - (ii) contributions from parties other than tenants of the Project, if any, in respect of Operating Costs, such as contributions made by parties for sharing the use of Common Facilities, but not including rent or fees charged directly for the use of any Common Facilities such as parking fees and rent for storage areas; and
 - (iii) amounts in the nature of Excess Costs, as defined in subsection 0, to the extent received by Landlord from tenants of the Project.
- (3) Operating Costs, however, shall exclude the following:
 - (i) Realty Taxes;
 - (ii) expenses incurred by Landlord in respect of other tenants' leasehold improvements;
 - (iii) capital costs except to the extent included pursuant to Section 2.01(j)(1)(xvi) above;
 - (iv) repairs or replacements to the extent that the cost of the same is recovered by Landlord pursuant to original construction warranties;
 - (v) repairs or replacements to the structural components of the Project, as determined by Landlord's structural engineer, being the roof decks (but no other part of the roof such as the roof membranes) foundations, columns, beams and weight bearing slabs and walls;
 - (vi) net proceeds received by the Landlord from insurance policies taken out by the Landlord to the extent that the proceeds relate to Operating Costs; and

- (vii) costs of making any alterations, repairs or replacements in connection with any condition of environmental concern in respect of the Building and/or the Lands (excluding the Premises), provided same did not result from the Tenant's use and occupancy.
- (k) "Project" means the Lands and all buildings, structures, improvements, equipment and facilities of any kind erected or located thereon from time to time, as the Lands, buildings, structures, improvements, equipment and facilities may be expanded, reduced or otherwise altered by Landlord in its sole discretion from time to time.
- (l) "Proportionate Share" means a fraction which has as its numerator the Rentable Area of the Premises and which has as its denominator the aggregate ground floor Rentable Area of the Building, as amended from time to time.
- (m) "Realty Taxes" means all taxes, rates, duties, levies, fees, charges, local improvement rates, levies and assessments whatever ("Taxes"), whether municipal, provincial, federal or otherwise, which may be levied, assessed or charged against or in respect of the Project or any part thereof or any fixtures, equipment or improvements therein, or against Landlord in respect of any of the same or in respect of any rental or other compensation receivable by Landlord in respect of the same, and including all Taxes which may be incurred by or imposed upon Landlord or the Project in lieu of or in addition to the foregoing including, without limitation, any Taxes on or in respect of real property rents or receipts as such (as opposed to a tax on such rents as part of the income of Landlord), any Taxes based, in whole or in part, on the value of the Project. Taxes shall, in every instance, be calculated on the basis of the Project being fully assessed and taxed at prevailing commercial rates for occupied space during the period for which Taxes are being calculated.
- (n) "Rentable Area" of the Premises shall be the Useable Area of such premises plus a portion, determined, attributed or allocated by Landlord, of the area of Common Facilities from time to time in the Project such as, without limitation, janitor facilities, sprinkler, transformer and garbage rooms, mechanical and electrical rooms and common hallways/entrances. The Rentable Area of storage areas, parking, trucking and public transportation areas and facilities, equipment and utilities areas and facilities and Common Facilities shall be zero. Every Rentable Area shall be as determined by the Architect or by a surveyor or other qualified person appointed by Landlord from time to time and on Tenant's request Landlord shall within a reasonable time thereafter provide Tenant with a certificate of such person as to the Rentable Area of the Premises, which certificate shall be conclusive and binding upon the parties hereto.
- (o) "Sales Taxes" means all business transfer, multi-stage sales, sales, use, consumption, value-added or other similar taxes imposed by any federal, provincial or municipal government upon Landlord or Tenant, or in respect of this Lease, or the payments made by Tenant hereunder or the goods and services provided by Landlord hereunder including, without limitation, the rental of the Premises and the provision of administrative services to Tenant hereunder.
- (p) "Tenant's Work" means the work to be performed by the Tenant, at its own cost, as more particularly set out in Schedule B attached hereto.
- (q) "Useable Area" of the Premises or any Leasable Areas means the area measured from the exterior face of all exterior walls and windows, from the exterior face of all interior walls

and windows dividing any Leasable Areas from Common Facilities, and from the Project line of all interior walls and windows separating any Leasable Areas from other Leasable Areas, all without deduction for any space occupied by structures, columns, beams, conduits, ducts or projections of any kind, and all without deduction for the recessing of any entrance way or storefront from the lease line to the point where the appropriate measurement is to be made.

ARTICLE 3 INTENT OF LEASE

3.01 Net Lease

It is the intent of the parties hereto that, except as expressly herein set out, this Lease be absolutely net to Landlord and Landlord not be responsible for any expenses or obligations of any kind whatsoever in respect of the Premises or the Project.

ARTICLE 4 LEASE OF PREMISES

4.01 Premises

Landlord hereby leases to Tenant and Tenant hereby leases from Landlord those premises (“**Premises**”) being part of the Project and shown outlined on the plan attached hereto as Schedule A. Tenant acknowledges that the singular purpose of the site plan attached as Schedule A is to identify the approximate location of the Premises; it being understood and agreed that the contents thereof are not intended as a representation of any kind as to the precise size or dimensions of the Premises or any other aspect of the Project. The depiction of other occupants in the Project on the site plan does not constitute a representation, warranty or covenant of any kind whatsoever by Landlord and should not be relied upon as an inducement to enter into this Lease. Tenant acknowledges that Landlord reserves the right to make, at any time or times whether before or during the Term, any adjustments, relocations, rearrangements or other modifications to the site plan and/or Project (including the Premises) required by governmental authorities or by Landlord. The Premises shall extend from the upper surface of the structural subfloor to the lower surface of the structural ceiling within the boundaries of the Rentable Area of the Premises, determined as provided in Article 2. The Premises shall exclude the exterior faces of all perimeter walls and doors of the Premises, notwithstanding the manner in which Rentable Area is measured.

Notwithstanding the foregoing, within thirty (30) days prior to the Commencement Date, the parties will agree to the final Rentable Area of the Premises (which, for the purposes of calculating any Rent payable by the Tenant, shall be no greater than five percent (5%) of the Rentable Area set out in Section 1.01(a)).

4.02 Term

The term of this Lease (the “**Term**”) shall be for the period described as the Term in Section 1.01 hereof, commencing on the Commencement Date.

4.03 Licence to Use Common Facilities

Subject to all other relevant provisions of this Lease, Landlord grants to Tenant the non-exclusive licence during the Term to use for their intended purposes, in common with others entitled thereto, such portions of the Common Facilities as are reasonably required for the use and occupancy of the Premises twenty-four (24) hours per day, seven (7) days per week.

4.04 Quiet Enjoyment

Subject to Tenant's complying with all of the terms of this Lease, Tenant may peaceably possess and enjoy the Premises for the Term without interruption by Landlord or any person claiming through Landlord.

4.05 Acceptance of Premises

Tenant accepts the Premises in the state and condition in which they are received from Landlord "as is, where is", save and except for satisfactory completion of Landlord's Work. Occupancy of the Premises by the Tenant shall be conclusive evidence against the Tenant that, at the time the Tenant assumed occupancy, the Premises were in good order and satisfactory condition and that the Tenant has accepted the Premises "as is".

ARTICLE 5 RENT

5.01 Tenant to Pay

Tenant shall pay in lawful money of Canada at such address as shall be designated from time to time by Landlord Basic Rent and Additional Rent (all of which is herein sometimes referred to collectively as "**Rent**") as herein provided without any deduction, set-off or abatement whatsoever, Tenant hereby agreeing to waive any set-off rights it may have under any statute or at law.

5.02 Basic Rent

Commencing on the Commencement Date Tenant shall pay to Landlord a fixed minimum annual rent ("**Basic Rent**") for each Lease Year of the Term in the annual amount(s) described as Basic Rent in Section 1.01, to be paid in equal monthly instalments, as described as Basic Rent in Section 1.01, in advance on the first day of each month during the Term. On the Commencement Date, if it is other than the first day of a calendar month, Tenant shall pay to Landlord for such partial month Basic Rent computed on a per diem basis. If an amount per square foot is specified in the description of Basic Rent in Section 1.01, then the Basic Rent is intended to be such amount per square foot of Rentable Area of the Premises per annum, and the Basic Rent shall be subject to adjustment based upon the Rentable Area of the Premises determined pursuant to this Lease. Within thirty (30) days after such adjustment, if any, being made Tenant shall pay to Landlord any deficiency in previous payments of Basic Rent and Additional Rent, and if Tenant is not in default under the terms of this Lease the amount of any overpayment by Tenant of Basic Rent and Additional Rent shall be paid to Tenant or credited to the account of Tenant.

5.03 Additional Rent

In addition to Basic Rent, Tenant shall pay to Landlord, or as Landlord shall direct, all other amounts as and when the same shall be due and payable pursuant to the provisions of this Lease or pursuant to any other obligation in respect of the Premises, all of which shall be deemed to accrue on a per diem basis; all of such amounts are herein sometimes referred to as "**Additional Rent**". Tenant shall promptly deliver to Landlord upon request evidence of due payment of all payments of Additional Rent required to be paid by Tenant hereunder.

5.04 Deemed Rent and Allocation

If Tenant defaults in payment of any Rent (whether to Landlord or otherwise) as and when the same is due and payable hereunder, Landlord shall have the same rights and remedies against Tenant upon such default as if such sum or sums were rent in arrears under this Lease. Landlord may allocate payments received

from Tenant among items of Rent then due and payable by Tenant. No acceptance by Landlord of payment by Tenant of any amount less than the full amount payable to Landlord, and no endorsement or direction on any cheque or other written instruction or statement respecting any payment by Tenant shall be deemed to constitute payment in full or an accord and satisfaction of any obligation of Tenant.

5.05 Monthly Payments of Additional Rent

Landlord may from time to time by written notice to Tenant estimate or re-estimate any amount(s) payable by Tenant to Landlord hereunder including without limitation, amounts in respect of Operating Costs, Realty Taxes and utilities, for the then current or next following Fiscal Year, provided that the fiscal period used by Landlord in respect of any particular item may correspond to a shorter period within any Fiscal Year where such item, for example Realty Taxes, is payable in full by Landlord over such shorter period. The amounts so estimated shall be payable by Tenant in advance in equal monthly instalments over the Fiscal Year or other fiscal period on the same days as the monthly payments of Basic Rent. Landlord may, from time to time, alter the fiscal period selected in each case. As soon as practical after the expiration of each Fiscal Year, Landlord shall furnish to Tenant a statement of the actual amounts payable by Tenant in respect of Operating Costs, Taxes, utilities and any other relevant provisions hereof for such Fiscal Year. If the amount determined to be payable by Tenant as aforesaid shall be greater or less than the payments on account thereof previously made by Tenant, then within thirty (30) days after delivery of such statement the appropriate adjustments will be made and Tenant shall pay any deficiency to Landlord and, if Tenant is not in default under the terms of this Lease, the amount of any overpayment shall be paid to Tenant or credited to the account of Tenant. The Tenant will not assign, transfer, or otherwise dispose of any right or claim in respect of any alleged or actual overpayment of Rent. Such statement of Landlord shall be final and binding and Tenant shall have no right to dispute the accuracy or propriety of any amounts or calculations included therein, except to the extent that Tenant shall have, within thirty (30) days after being given such statement, demonstrated to the satisfaction of Landlord any error in such statement.

Upon written request made by the Tenant within ninety (90) days after receipt of the Landlord's statement, the Landlord will respond to reasonable questions with respect to the Landlord's determination of the Tenant's Proportionate Share to which the statement relates and will provide reasonable additional supporting documentation as requested by the Tenant, acting reasonably, with respect to determination of the Tenant's Proportionate Share.

ARTICLE 6 TAXES

6.01 Taxes Payable by Tenant

The parties acknowledge that Tenant is exempt from the payment of Realty Taxes and to the extent that it continues to be exempt from the payment of Realty Taxes, it will not be required to pay to Landlord any Realty Taxes during the Term. To the extent that Tenant is not exempt from the payment of Realty Taxes, Tenant shall pay to Landlord as and when due all Realty Taxes and other taxes, if any, levied, confirmed, imposed, assessed or charged (herein referred to as "**charged**") against or in respect of the Premises and all fixtures, equipment, improvements and alterations in the Premises, and including any such Realty Taxes and other taxes charged against the Premises in respect of any Common Facilities. In addition, and subject to the limitations described above, Tenant shall pay the Proportionate Share of Realty Taxes, if any, separately charged against Common Facilities. To the extent of Realty Taxes received by Landlord from Tenant, Landlord shall pay same to the taxing authority. Notwithstanding anything to the contrary, the Landlord shall be entitled to the exclusive benefit of any vacant unit Realty Tax rebate which may be recovered on account of any unoccupied Leasable Areas within the Project, and the Tenant waives its rights to any direct or indirect benefit from such rebate.

6.02 Determination of Tenant's Taxes

Tenant's obligation to pay Realty Taxes charged against or in respect of the Premises shall be determined on the basis of a separate bill if available. If the relevant taxing authority does not issue a separate bill for the Premises then Tenant's obligation in respect thereof shall be computed by applying the relevant tax rate to a separate assessment of the Premises, if any. If there is neither a separate bill for Realty Taxes for the Premises nor a separate assessment of the Premises for any period of time, then for such period the Realty Taxes charged against or in respect of the Premises shall be determined by Landlord, acting reasonably. Provided that Tenant shall be solely responsible for any increase in Realty Taxes resulting from any act or election of Tenant or from any fixtures or improvements in the Premises, and Tenant shall not be responsible for any such increase resulting from any act or election of Landlord or any other occupant of the Project or any fixtures or improvements in other Leasable Areas. Any amounts payable by Tenant on account of Realty Taxes shall be adjusted on a per diem basis in respect of any period not falling wholly within the Term.

The parties acknowledge and agree that this Section 6.02 shall not apply to the extent that Tenant is exempt from the payment of Realty Taxes.

6.03 Business Taxes and Sales Taxes

- (a) Tenant shall pay to the relevant taxing authority as and when the same are due and payable all taxes charged in respect of any business conducted on, or any use or occupancy of, the Premises.
- (b) Tenant shall pay to Landlord when due all Sales Taxes imposed on Landlord or Tenant with respect to Rent payable by Tenant hereunder or in respect of the rental of space under this Lease.

6.04 Tax Bills and Assessment Notices

Tenant shall deliver to Landlord forthwith upon Tenant's receiving the same copies of all assessment notices, tax bills, receipts and other documents received by Tenant relating to Realty Taxes on the Premises or the Project.

6.05 Contest of Realty Taxes

- (a) Landlord may contest any Realty Taxes and appeal any assessments related to the Project and may withdraw any such contest or appeal or may agree with the relevant authorities on any settlement in respect thereof. Tenant will cooperate with Landlord in respect of any such contest and appeal and shall provide to Landlord such information and execute such documents as Landlord requests to give full effect to the foregoing. All costs of any such contest and appeal by Landlord shall be included in Operating Costs.
- (b) Tenant will not have the right to contest any Realty Taxes or appeal any assessments related to the Project.

ARTICLE 7 OPERATION OF PROJECT

7.01 Operation of Project by Landlord

Landlord shall repair, maintain and operate the Project as would a prudent owner having regard to its size, age, location and character.

7.02 Tenant's Payment of Operating Costs

Commencing on the Commencement Date and thereafter at all times throughout the Term Tenant shall pay to Landlord the Proportionate Share of Operating Costs. Subject to Section 5.05, the amounts payable by Tenant pursuant to this Section 7.02 shall be paid to Landlord within ten (10) days after the submission to Tenant of a statement showing the amount payable by Tenant from time to time. All amounts payable under this Article 7 in respect of any period not falling entirely within the Term shall be adjusted on a per diem basis.

7.03 Adjustments to Operating Costs

If by reason of the particular use or occupancy of the Premises or any of the Common Facilities by Tenant, its employees, agents or persons having business with Tenant, additional costs in the nature of Operating Costs, such as utility charges, security costs, and costs of hoisting, supervision, waste removal and receiving, storing or handling materials and articles, and costs of heating, ventilating and air-conditioning, are incurred in excess of the costs which would otherwise have been incurred for such items (“**Excess Costs**”), then Landlord shall have the right to determine on a reasonable basis and require Tenant to pay such Excess Costs plus an administration fee of ten percent (10%) of such costs.

ARTICLE 8 USE OF PREMISES

8.01 Use of Premises

To the intent that this covenant shall run with the Premises for the benefit for the Project, excluding the Premises, Tenant covenants that it shall not use and shall not permit the Premises to be used for any purpose other than as described as Use of Premises in Section 1.01 hereof. Tenant acknowledges that Landlord is making no representation or warranty as to the Tenant's ability to use the Premises for its intended use and the Tenant shall, prior to executing this Lease, perform such searches and satisfy itself that its use is permitted under all applicable Laws and that Tenant will be able to obtain any applicable licenses or permits.

8.02 Tenant's Fixtures

Tenant shall install and maintain in the Premises at all times during the Term first-class trade fixtures including furnishings and equipment adequate and appropriate for the business to be conducted on the Premises, all of which shall be kept in good order and condition. Tenant shall not remove any trade fixtures or other contents from the Premises during the Term except, with the prior written consent of Landlord, in the ordinary course of business or for the purpose of replacing them with others at least equal in value and function to those being removed.

8.03 Signs

Tenant shall not place or affix any sign, decal, logo or design of any nature either on or about the exterior walls of the Premises, without first obtaining Landlord's written consent in each instance as to the specifications, design, location and method of installation.

The Tenant shall have the right to install a sign on the exterior of the Building, subject to the approval of municipal authorities and subject to the Landlord's prior approval, which shall not be unreasonably withheld or delayed. The type, size, design and colours of the Tenant's signage shall be at the Tenant's discretion, but subject to municipal by-laws and the prior approval of the Landlord, which approval shall not be unreasonably withheld.

8.04 Waste Removal

Tenant shall not allow any refuse, garbage or any loose, objectionable material (hereinafter collectively referred to as "Refuse") to accumulate in or about the Premises or the Project and will at all times keep the Premises in a clean and neat condition. Tenant shall comply with Landlord's regulations respecting the storage and removal of waste and shall be responsible for all costs of removal of waste from the Premises (other than costs of routine waste removal included in Operating Costs) including but not limited to maintaining in good standing a waste removal contract to service the Premises. Until removed from the Project all waste from the Premises shall be kept in appropriate containers within the Premises. Notwithstanding anything to the contrary contained in this Lease, the Tenant shall be responsible for paying the Landlord, as Additional Rent, the costs incurred by the Landlord for such Refuse pick-up and removal on behalf of the Tenant, plus an administration fee of ten percent (10%) of the aggregate of such costs. For greater certainty, such costs shall not be considered part of the Operating Costs, but shall be a separate, additional charge payable by the Tenant.

8.05 Pest Control

Tenant shall be responsible for pest extermination in respect of the Premises and shall engage, for such purpose, such contractors at such intervals as Landlord may require. Tenant shall not bring or permit to be brought onto the Premises or the Project any animals or birds of any kind.

8.06 Waste and Nuisance

- (a) Tenant shall not cause, suffer or permit any waste or damage to the Premises or leasehold improvements, fixtures or equipment therein nor permit any overloading of the floors thereof and shall not use or permit to be used any part of the Premises for any dangerous, noxious or offensive activity or goods and shall not do or bring anything or permit anything to be done or brought on or about the Premises or the Project which results in undue noise or vibration or which Landlord may reasonably deem to be hazardous or a nuisance or annoyance to any other tenants or any other persons permitted to be on the Project, including without limitation any objectionable odours emanating from the Premises. Tenant shall immediately take steps to remedy, remove or desist from any activity, equipment, goods or condition on or emanating from the Premises to which Landlord objects on a reasonable basis. Tenant shall take every reasonable precaution to protect the Premises and the Project from risk of damage by fire, water or the elements or any other cause.
- (b) Tenant shall not itself, and shall not permit any of its employees, servants, agents, contractors or persons having business with Tenant, to obstruct any Common Facilities or use or permit to be used any Common Facilities for other than their intended purposes. Without limiting the foregoing, Tenant shall not permit any equipment, goods or material whatsoever to be placed or stored anywhere in or on the Common Facilities, including without limitation on the loading docks and other outside areas adjacent to the Premises. Tenant shall not, and shall not permit anyone else to, place anything on the roof of the Building or go on to the roof of the Building for any purpose whatsoever, without

Landlord's prior written approval, which may be arbitrarily withheld in Landlord's sole discretion.

- (c) Tenant shall be solely responsible for any contaminant, pollutant or toxic substance at any time affecting the Premises resulting from any act or omission of Tenant or those for whom the Tenant is at law responsible during the Term, and any period prior to the Term during which the Premises were used or occupied by or under the control of Tenant, and shall be responsible for the clean-up and removal of any of the same and any damages caused by the occurrence, clean-up or removal of any of the same, and Tenant shall indemnify Landlord in respect thereof.

8.07 Compliance with Laws

Tenant shall be solely responsible for obtaining from all authorities having jurisdiction all necessary permits, licences and approvals as may be necessary to permit Tenant to occupy the Premises and conduct its business thereon, as required by all applicable Laws. Tenant shall bear all risks and liabilities in the event that the Tenant occupies the Premises and/or conducts business thereon without all necessary permits, licences and approvals having been obtained. At Tenant's own expense, Tenant shall observe and comply with all Laws pertaining to or affecting the Premises, including without limitation those respecting the condition and occupation of the Premises, the Tenant's use of the Premises or the conduct of any business in the Premises, or the making of any repairs, replacements, alterations, additions, changes, substitutions or improvements of or to the Premises, and comply with the regulations of any insurance underwriters in respect of the insurance maintained by the Landlord in respect of the Project, or required by the Tenant under this Lease, and carry out all modifications to the Premises and the Tenant's conduct of business in or use of the Premises which may be required by any such authorities. Notwithstanding the foregoing, the Tenant shall not be required to remedy any non-compliance that existed in the Premises prior to the Possession Date and the Landlord agrees that the Landlord shall be responsible for remedying any such non-compliance at its sole cost.

ARTICLE 9 SERVICES AND UTILITIES

9.01 Utilities

- (a) Subject to Landlord's ability to do so, Landlord shall supply or cause to be supplied to the Premises electricity and other utilities for the reasonable use of the Premises for their intended purposes. Tenant shall promptly pay for, as and when they fall due, to Landlord or as Landlord shall from time to time direct, all costs of supplying water, electricity, gas, and any other utilities which are available and supplied to or in respect of the Premises, and all costs for all fittings, connections and meters and all work performed in connection with any services or utilities provided to the Premises. Tenant shall promptly execute and deliver any agreements required by Landlord or by utilities suppliers in respect of the supply of any utilities to the Premises. Tenant's use of any such utilities shall not exceed the available capacity of the existing systems from time to time.
- (b) Should there be no individual meters for the measurement of the consumption of any utilities supplied to the Premises then Landlord, acting reasonably, may allocate the cost of such utilities among the various users thereof. If required by Landlord, Tenant shall install at its expense a separate meter or meters to measure the consumption of any or all utilities in the Premises. The cost of any utilities which are not charged to tenants of the Building individually shall be included in Operating Costs. The Tenant shall reimburse the Landlord, within twenty (20) days of receipt of Landlord's invoice, for the cost of any

such utilities paid by the Landlord on the Tenant's behalf plus an administration fee of ten percent (10%) of the total cost of such utilities.

9.02 Heating and Air-conditioning

Tenant shall heat and, where applicable, air-condition the Premises in a reasonable manner using heating and air-conditioning equipment ("HVAC") installed in the Building by Landlord. The parties acknowledge that there is not HVAC exclusively servicing the Premises and the Landlord shall complete any necessary repairs, maintenance and replacements, and the cost thereof shall be included in Operating Costs to the extent permitted under this Lease.

9.03 Non-Liability of Landlord

Landlord shall not be liable for any damages, direct or indirect, resulting from or contributed to by any interruption or cessation in supply of any utilities or heating, ventilating, air-conditioning and humidity control. Without limiting the generality of the foregoing, Landlord shall not be liable for and Tenant shall indemnify Landlord against any and all indirect or consequential damages or damages for personal discomfort or illness of Tenant or any persons permitted by it to be on the Premises, by reason of the suspension or non-operation of any utilities, heating, ventilating, air-conditioning or humidity control.

9.04 Landlord's Suspension of Utilities

In order to effect any maintenance, repairs, replacements or alterations to any of such utilities, heating, ventilating, air-conditioning or humidity control equipment or systems, or any other part of the Project, Landlord shall have the right to modify or temporarily discontinue or suspend the operation of any such equipment or systems as required from time to time.

ARTICLE 10 MAINTENANCE, REPAIRS AND ALTERATIONS

10.01 Maintenance and Repairs of Premises

At all times throughout the Term Tenant, at its sole expense, shall perform such maintenance (including painting and repair or replacement of any interior finishings), repairs and replacements as required to keep the Premises, all contents thereof and all services and equipment located in or primarily serving the Premises, in first-class appearance and condition, and in accordance with all Laws and Landlord's reasonable requirements, subject only to the obligations of Landlord expressly provided in Section 10.07. For purposes of this Section 10.01, but without affecting the interpretation of any other provision of this Lease, Premises shall include all leasehold improvements to the Premises, the storefront, the exterior finishes of exterior walls and all storefront and bulkhead signage, the entranceway to the Premises, and all areas and facilities adjacent or proximate to and serving exclusively the Premises.

Tenant and those for whom it is in law responsible shall not: (i) enter upon the roof of the Building nor (ii) perform any work on or to the roof of the Building without first obtaining the prior written consent of the Landlord, which may include Landlord's insistence on accompanying the Tenant's personnel on to the roof of the said Building.

10.02 Approval of Repairs and Alterations

- (a) Tenant shall not make any repairs, replacements, changes, additions, improvements or alterations (hereinafter referred to as "**Alterations**") to the Premises without Landlord's prior written consent, which consent shall not be unreasonably withheld unless such

proposed Alterations might affect the demising walls, entrances or storefront of the Premises or the structure of the Building or the coverage of the Project for zoning purposes, or the parking requirements for the Project, or impair the value or usefulness of the Premises or the Project, in any of which cases Landlord's consent may be unreasonably withheld in Landlord's sole discretion.

- (b) With its request for consent Tenant shall submit to Landlord details of the proposed Alterations including plans and specifications prepared by qualified architects or engineers, and such Alterations shall be completed in accordance with the plans and specifications approved in writing by Landlord. Unless expressly authorized in writing by Landlord to the contrary, all Alterations which might cost in excess of TWENTY THOUSAND DOLLARS (\$20,000.00) to complete or which might affect the structure or mechanical, electrical, utility, sprinkler, communications or other similar systems of the Premises or the Building, shall be conducted under the supervision of a qualified architect or engineer approved by Landlord, such approval not to be unreasonably withheld.
- (c) All Alterations shall be planned and completed in compliance with all Laws and Tenant shall prior to commencing any Alterations, obtain at its expense all necessary permits and licences. Prior to the commencement of any such Alterations Tenant shall furnish to Landlord such evidence as reasonably required by Landlord of the projected cost of Alterations and Tenant's ability to pay for same, together with such indemnification against costs, liens and damages as Landlord shall reasonably require including, if required by Landlord, a performance, completion and labour and materials bond acceptable to Landlord guaranteeing completion of such Alterations.
- (d) All Alterations shall be performed at Tenant's cost, promptly and in a good and workmanlike manner and in compliance with Landlord's rules and regulations, by competent contractors or workmen who shall be first approved in writing by Landlord, which approval shall not be unreasonably withheld. If any Alterations affect the structure or any mechanical, electrical, utility, sprinkler, communications or other similar systems within the Premises or the Project, they shall, at Landlord's option, be performed at Tenant's expense by Landlord or by contractors designated by Landlord and under Landlord's supervision. For all Alterations performed by Landlord or at Landlord's expense or under Landlord's supervision, Tenant shall pay forthwith upon request all amounts paid or payable by Landlord to third parties and all reasonable charges of Landlord for its own personnel plus ten percent (10%) for Landlord's inspection, supervision and overhead. All Alterations, the making of which might disrupt other tenants or occupants of the Project or the public, shall be performed outside Business Hours.
- (e) If Tenant performs any such Alterations without compliance with all of the foregoing provisions of this Article 10, Landlord shall have the right to require Tenant to remove such Alterations forthwith.
- (f) Tenant shall pay to Landlord forthwith upon request all of Landlord's reasonable costs including, without limitation, fees of architects, engineers and designers, incurred in dealing with Tenant's request for Landlord's consent to any Alterations, whether or not such consent is granted, and in inspecting and supervising any such Alterations and Landlord shall have the right to require Tenant to pay Landlord a deposit on account of such costs as a precondition to Landlord's granting such consent.

- (g) Notwithstanding anything to the contrary, the Tenant shall be entitled to make minor interior alterations to the Premises, without the Landlord's consent, but upon prior written notice to the Landlord, provided that:
 - (i) such alterations do not in the aggregate cost in excess of Ten Thousand Dollars (\$10,000.00) in each instance or in any twelve (12) consecutive month period;
 - (ii) such alterations in no way affect: (i) the structure of the Premises or the Building; (ii) the plumbing system, heating, ventilating, electrical and air-conditioning systems, sprinkler systems or any other Landlord's systems of the Premises or Project; (iii) the Common Facilities; (iv) signage on any part of the outside of, or in a location that could be viewed from the outside of, the Premises; or (v) any part of the Project outside of the interior of the Premises; and
 - (iii) such alterations do not require a building permit or any other approvals of authorities having jurisdiction.

10.03 Repair According to Landlord's Notice

Landlord or any persons designated by it shall have the right to enter the Premises at any time to view the state of repair and condition thereof and Tenant shall promptly perform according to Landlord's written notice any maintenance (including painting and repair or replacement of any interior finishings), repairs or replacements in accordance with Tenant's obligations hereunder.

10.04 Notice by Tenant

Tenant shall give immediate written notice to Landlord of any accident, defect or damage in any part of the Premises or the Project which comes to the attention of Tenant or any of its employees or contractors notwithstanding the fact that Landlord may have no obligation in respect of the same.

10.05 Ownership of Leasehold Improvements

All leasehold improvements installed in or about the Premises shall forthwith upon the installation thereof become the property of Landlord but without Landlord's thereby accepting any responsibility in respect of the maintenance, repair or replacement thereof. The expression "leasehold improvements" where used in this Lease includes, without limitation, all fixtures, installations, alterations and additions from time to time made or installed in or about the Premises, and includes all of the following, whether or not they are trade fixtures or easily removable: doors, partitions and hardware; mechanical, electrical and utility installations; heating, ventilating, air-conditioning and humidity control equipment; lighting fixtures and built-in furniture.

10.06 Construction Liens

Tenant shall make all payments and take all steps as may be necessary to ensure that no lien is registered against the Project or any portion thereof as a result of any work, services or materials supplied to Tenant or the Premises. Tenant shall cause any such registrations to be discharged or vacated immediately after notice from Landlord, or within ten (10) days after registration, whichever is earlier. Tenant shall indemnify and save harmless Landlord from and against any liabilities, claims, liens, damages, costs and expenses, including legal expenses, arising in connection with any work, services or materials supplied to Tenant or the Premises. If Tenant fails to cause any such registration to be discharged or vacated as aforesaid then, in addition to any other rights of Landlord, Landlord may, but shall not be obliged to, discharge the same

by paying the amount claimed into court, and the amounts so paid and all costs incurred by Landlord, including legal fees and disbursements, shall be paid by Tenant to Landlord forthwith upon demand.

10.07 Landlord's Maintenance and Repair

Subject to the provisions of Article 12 herein and subject to Tenant's obligations hereunder, Landlord covenants to maintain and repair the following as a prudent owner: (i) the structure of the Project and exterior walls of the Building (but for clarity, any costs incurred by the Landlord with respect to the general maintenance of the structural components, including without limitation, tuckpointing and caulking shall be included in Operating Costs); (ii) electrical, mechanical and drainage equipment and systems forming part of the Project but not located within the Premises and not serving exclusively the Premises; and (iii) damage to the Premises, excluding all leasehold improvements, against which and to the extent to which Landlord is required to be insured pursuant hereto or is otherwise insured and which is not Tenant's obligation to repair under this Lease and against which Tenant is not required to be insured and is not otherwise insured. Landlord's costs of compliance with this Section 10.07 shall be included in Operating Costs to the extent set out in this Lease. Provided that to the extent that such repair is necessitated directly or indirectly by any act or omission of Tenant or any servant, employee, agent, contractor, invitee or licensee of Tenant, Tenant shall be solely responsible for the cost of such repairs in accordance with Section 10.08 and shall indemnify Landlord in respect thereof.

10.08 Special Services

- (a) Tenant shall pay Landlord on demand all charges as determined and allocated by Landlord acting reasonably in respect of all special services provided to or for the benefit of Tenant beyond building standard services the costs of which are included in Operating Costs. Unless otherwise expressly agreed between Landlord and Tenant to the contrary in respect of any specific matter from time to time, all work performed and materials supplied by Landlord for Tenant or otherwise respecting the Premises pursuant to the provisions hereof or otherwise shall be paid for by Tenant to Landlord forthwith on demand at Landlord's cost for the same plus ten percent (10%) for inspection, supervision and overhead.
- (b) Landlord shall be the exclusive supplier in respect of the Premises, at Tenant's expense, for any services requiring drilling or otherwise penetrating floors, walls or ceilings, and for locksmithing and security arrangements. If Landlord, in its sole discretion, agrees in writing with Tenant that it shall not be the exclusive supplier of any of the aforesaid services, then only persons approved by Landlord acting reasonably may supply same to the Premises.

ARTICLE 11 END OF TERM

11.01 Vacating of Possession

Forthwith upon the expiry or earlier termination of the Term, Tenant shall deliver to Landlord vacant possession of the Premises in such condition in which Tenant is required to keep the Premises during the Term pursuant hereto and shall leave the Premises in neat and clean condition and shall deliver to Landlord all keys for the Premises and all keys or combinations to locks on doors or vaults in the Premises.

11.02 Removal of Trade Fixtures

Provided Tenant has paid all Rent and is not otherwise in default hereunder, or if otherwise authorized or requested by Landlord, at the expiry or earlier termination of the Term Tenant shall remove its trade fixtures

and repair all damage resulting from the installation or removal of such trade fixtures. If at the expiry or earlier termination of the Term Tenant does not remove its trade fixtures or any of its other property on the Premises, Landlord shall have no obligation in respect thereof and may sell or destroy the same or have them removed or stored at the expense of Tenant; at the option of Landlord, such trade fixtures or property shall become the absolute property of Landlord without any compensation to Tenant.

11.03 Removal of Leasehold Improvements

Notwithstanding that the leasehold improvements become the property of Landlord upon installation, at the expiry or earlier termination of the Term Tenant shall remove any or all of such leasehold improvements made or installed in or about the Premises by Tenant, or by Landlord as Tenant's contractor, without the Landlord's approval and in so doing shall repair all damage resulting therefrom.

11.04 Overholding by Tenant

If Tenant remains in possession of all or any part of the Premises after the expiry of the Term with the consent of Landlord but without any further written agreement, this Lease shall not be deemed thereby to have been renewed and Tenant shall be deemed to be occupying the Premises as a monthly tenant on the same terms as set forth in this Lease insofar as they are applicable to a monthly tenancy except the monthly Basic Rent shall be equal to 150% of the monthly Basic Rent payable during the last twelve months of the Term.

ARTICLE 12 DAMAGE AND DESTRUCTION

12.01 Insured Damage to Premises

- (a) If there is damage to or destruction of the Premises caused by an occurrence against which, and to not more than the extent that, Landlord either is required to insure pursuant to this Lease or is otherwise insured ("**Insured Damage**"), then the following provisions of this Section 12.01 shall apply.
- (b) If such damage or destruction is such as to render the whole or any part of the Premises unusable for the purpose of Tenant's use and occupancy thereof, Landlord shall deliver to Tenant within thirty (30) days following the occurrence of such damage or destruction its reasonable opinion as to whether or not the same is capable of being repaired, to the extent of Landlord's repair obligations hereunder, within one hundred and eighty (180) days following such occurrence.
- (c) If this Lease is not terminated as herein provided, Landlord, to the extent of insurance proceeds which it receives or would have received had it maintained such insurance as it is required to maintain hereunder, and to the extent that any mortgagee(s) entitled to be paid such insurance proceeds consents to the use of the same for repair of such damage or destruction, shall diligently proceed to perform repairs to the Premises to the extent of its obligations pursuant to Section 10.07 hereof; and Tenant, commencing as soon as practicable but without interfering with Landlord's repairs, shall diligently perform such repairs as are Tenant's responsibility pursuant hereto.
- (d) If, (i) in Landlord's reasonable opinion, the Premises are not capable of being repaired as aforesaid within one hundred and eighty (180) days following such occurrence, or (ii) Tenant was at the time of such damage in breach of this Lease and fails within fifteen (15) days after notice of such default to remedy same to the extent possible in view of such

damage, Landlord may, at its option, and in the case of (i) above, Tenant may, at its option, elect, by written notice to the other within thirty (30) days after delivery by Landlord of the opinion provided for in subsection 12.01(b) above, to terminate this Lease, whereupon Tenant shall immediately surrender possession of the Premises and Basic Rent and all other payments for which Tenant is liable pursuant hereto shall be apportioned to the effective date of such termination.

- (e) If the damage is such as to render the whole or any part of the Premises unusable in whole or in part for the purpose of Tenant's use and occupancy thereof for a period of ten (10) days or more, then the Basic Rent payable hereunder shall abate for the portion of such period in excess of ten (10) days, to the extent that Tenant's use and occupancy of the Premises is in fact diminished, which determination shall be made by the Architect, until the earlier of (i) the thirtieth (30th) day after the Premises are determined by Landlord to be ready for Tenant to commence its repairs to the Premises, and (ii) the date on which Tenant first commences the conduct of business in any part of the Premises which had been damaged.
- (f) The respective obligations of Landlord and Tenant with respect to repair of the Premises following any damage or destruction shall be performed with all reasonable speed and in accordance with all applicable obligations to repair contained herein. Tenant acknowledges that its obligations to repair the Premises after such damage or destruction shall be performed at its sole cost without any contribution by Landlord whether or not the damage or destruction was caused by Landlord's fault and whether or not Landlord had at any time made any contribution to the cost of any leasehold improvements in the Premises. In any event, within sixty (60) days after Landlord has completed its repairs to the Premises as aforesaid, Tenant shall complete its repairs to the Premises and shall recommence the conduct of business thereon.

12.02 Uninsured Damage and Last Two Years

If there is damage to or destruction of the Premises and if, in Landlord's reasonable opinion, of which notice is given to Tenant within fifteen (15) days after the later of the date of such damage or destruction and the date upon which Landlord is notified by Tenant of such damage or destruction, the Premises are not capable of being repaired to the extent of Landlord's repair obligations within thirty (30) days following the giving of such notice and if (i) such damage or destruction is not Insured Damage, or (ii) such damage or destruction occurs within the last two (2) Lease Years of the Term and either Tenant has no remaining rights to renew this Lease or, having the right to renew this Lease fails to do so within fifteen (15) days after receipt of the said notice, then Landlord, at its option to be exercised by written notice given to Tenant within thirty (30) days after the later of the date of such damage or destruction and the date upon which Landlord is notified by Tenant of such damage or destruction, may terminate this Lease whereupon Tenant shall immediately surrender possession of the Premises and Basic Rent and all other payments for which Tenant is liable hereunder shall be apportioned to the effective date of such termination. If this Lease is not terminated as aforesaid the parties shall repair as provided in subsection 12.01(c) hereof and there shall be no abatement of any Rent unless the damage or destruction is Insured Damage and then only to the extent expressly provided in subsection 12.01(e) above.

12.03 Damage to Project

If twenty-five percent (25%) or more of the Rentable Area of Leasable Areas of the Project is damaged or destroyed by any cause whatsoever, whether or not there is any damage to the Premises, Landlord may, at its option, by notice given to Tenant within sixty (60) days after such occurrence, terminate this Lease as

of a date specified in such notice, which date shall be not less than thirty (30) days and not more than one hundred and eighty (180) days after the giving of such notice. In the event of such termination, Tenant shall surrender vacant possession of the Premises by not later than the said date of termination, and Basic Rent and all other payments for which Tenant is liable hereunder shall be apportioned to the effective date of termination. If Landlord does not so elect to terminate this Lease, Landlord shall diligently proceed to repair and rebuild the Project to the extent of its obligations pursuant hereto to the extent of insurance proceeds which Landlord receives or would have received had it maintained such insurance as required hereunder, and to the extent that any mortgagee entitled to be paid such insurance proceeds consents to the use of same for such purpose.

12.04 Restoration of Premises or Project

If there is damage to or destruction of the Premises or the Project and if this Lease is not terminated pursuant hereto, Landlord, in performing its repairs as required hereby, shall not be obliged to repair or rebuild in accordance with the plans or specifications for the Premises or the Project as they existed prior to such damage or destruction; rather, Landlord may repair or rebuild in accordance with any plans and specifications chosen by Landlord in its sole discretion provided that Tenant's use of and access to the Premises and the general overall quality of the Project are not materially detrimentally affected by any difference in plans or specifications of the Premises or the Project.

12.05 Determination of Matters

For the purposes of this Article 12 all matters requiring determination such as, without limitation, the extent to which any area(s) of the Premises or the Project are damaged or are not capable of being used, or the time within which repairs may be made, unless expressly provided to the contrary, shall be determined by Landlord's Architect, such determination to be final and binding on the parties.

ARTICLE 13 INSURANCE AND INDEMNITY

13.01 Landlord's Insurance

Landlord shall obtain and maintain in full force and effect during the Term with respect to the Project insurance against such occurrences and in such amounts, on such terms and with such deductible(s) as would a prudent owner of such a Project. Such insurance may include, without limitation: (i) insurance on the Building and any improvements therein which Landlord desires to insure, against damage by fire and other risks covered by extended coverage fire insurance policies or, at Landlord's option, all risks insurance; (ii) boiler and machinery insurance; (iii) rental income insurance; (iv) public liability insurance; and (v) such other insurance and in such amounts and on such terms as Landlord, in its discretion, may reasonably determine. Notwithstanding that Tenant shall be contributing to the costs of such insurance pursuant to the terms of this Lease, Tenant shall not have any interest in or any right to recover any proceeds under any of Landlord's insurance policies.

13.02 Tenant's Effect On Other Insurance

- (a) Tenant shall not do or permit anywhere on the Premises or Project anything which might:
 - (i) result in any increase in the cost of any insurance policy of Landlord on the Project;
 - (ii) result in an actual or threatened cancellation of or adverse change in any insurance policy of Landlord on the Project; or
 - (iii) be prohibited by any insurance policy of Landlord on the Project.

- (b) If the cost of any insurance policies of Landlord on the Project is increased as a result of any improvements made by Tenant or anything done or permitted by Tenant anywhere on the Premises or Project, Tenant shall pay the full amount of such increase to Landlord forthwith upon demand. Tenant's responsibility for any increased cost of insurance as aforesaid shall be conclusively determined by a statement issued by the organization, company or insurer establishing the insurance rates for the relevant policy.
- (c) If there is an actual or threatened cancellation of or adverse change in any policy of insurance of Landlord on the Project by reason of anything done or permitted by Tenant anywhere on the Premises or Project, and if Tenant fails to remedy the situation giving rise to such actual or threatened cancellation or change within twenty-four (24) hours after notice from Landlord, then Landlord may, at its option, either (i) terminate this Lease forthwith by written notice; or, (ii) remedy the situation giving rise to such actual or threatened cancellation or change, all at the cost of Tenant to be paid to Landlord forthwith upon demand, and for such purpose Landlord shall have the right to enter upon the Premises without further notice.

13.03 Tenant's Insurance

- (a) Tenant shall, at its sole expense, maintain in full force and effect at all times throughout the Term and such other times, if any, as Tenant occupies the Premises or any portion thereof, such insurance as would be maintained by a prudent tenant of premises such as the Premises, which insurance shall include at least all of the following:
 - (i) Commercial general liability insurance on an occurrence basis with respect to Tenant's business activities and occupancy of or things on the Premises, and with respect to the use and occupancy of any other part of the Project by Tenant or any of its employees, servants, agents, invitees, licensees, subtenants, contractors or persons for whom Tenant is in law responsible, with coverage for any occurrence of not less than FIVE MILLION (\$5,000,000.00) DOLLARS;
 - (ii) All risks insurance covering the leasehold improvements, trade fixtures and contents on the Premises, for not less than the full replacement cost thereof and with a replacement cost endorsement;
 - (iii) Broad form comprehensive boiler and machinery insurance on all insurable objects located on or about the Premises or which are the property or responsibility of Tenant, for not less than the full replacement cost thereof and with a replacement cost endorsement;
 - (iv) Business interruption insurance in such amounts as necessary to fully compensate Tenant for direct or indirect loss of sales or earnings attributable to any of the perils required to be insured against under the policies referred to in subsections 13.03(a)(ii) and 13.03(a)(iii) and all circumstances usually insured against by cautious tenants including losses resulting from interference with access to the Premises or the Project as a result of such perils or for any other reason;
 - (v) Tenant's legal liability insurance for the full replacement cost of the Premises, and the loss of use thereof; and

- (vi) Any other insurance against such risks and in such amounts as Landlord or any mortgagee of Landlord may from time to time reasonably require upon not less than thirty (30) days' notice to Tenant.
- (b) Each of Tenant's insurance policies shall name Landlord as an additional named insured, and shall be taken out with insurers and shall be in such form and on such terms as are satisfactory to Landlord from time to time. Without limiting the generality of the foregoing, each of Tenant's insurance policies shall contain:
 - (i) the standard mortgage clause as may be required by any mortgagee of Landlord;
 - (ii) a waiver by the insurer of any rights of subrogation to which such insurer might otherwise be entitled against Landlord or any person for whom Landlord is in law responsible;
 - (iii) an undertaking by the insurer that no material change adverse to Tenant or Landlord or any mortgagee of Landlord will be made and the policy will not lapse or be terminated, except after not less than thirty (30) days' written notice to Tenant and Landlord and to any mortgagee of Landlord;
 - (iv) a provision stating that Tenant's insurance policy shall be primary and shall not call into contribution any other insurance available to Landlord;
 - (v) a joint loss endorsement, where applicable;
 - (vi) a severability of interests clause and a cross-liability clause; and
 - (vii) a waiver, in respect of the interests of Landlord and any mortgagee of Landlord, of any provision with respect to any breach of any warranties, representations, declarations or conditions contained in the said policy.
- (c) Tenant shall ensure that Landlord shall at all times be in possession of either certificates or certified copies of Tenant's insurance policies which are in good standing and in compliance with Tenant's obligations hereunder.
- (d) Tenant hereby releases Landlord and its servants, agents, employees, contractors and those for whom Landlord is in law responsible from all losses, damages and claims of any kind in respect of which Tenant is required to maintain insurance hereunder or is otherwise insured.

13.04 Landlord's Right to Place Tenant's Insurance

If Tenant fails to maintain in force, or pay any premiums for, any insurance required to be maintained by Tenant hereunder, or if Tenant fails from time to time to deliver to Landlord satisfactory proof of the good standing of any such insurance or the payment of premiums therefor, then Landlord, without prejudice to any of its other rights and remedies hereunder, shall have the right but not the obligation to effect such insurance on behalf of Tenant and the cost thereof and all other reasonable expenses incurred by Landlord in that regard shall be paid by Tenant to Landlord forthwith upon demand.

13.05 Landlord's Non-Liability

Tenant agrees that Landlord shall not be liable or responsible in any way for any injury or death to any person or for any loss or damage to any property, at any time on or about the Premises or any property owned by or being the responsibility of Tenant or any of its servants, agents, customers, contractors or persons for whom Tenant is in law responsible elsewhere on or about the Project, save and except where such loss or damage has resulted from or contributed to by the negligence of Landlord, its servants, agents, employees, contractors or persons for whom Landlord is in law responsible. Without limiting or affecting the generality of the foregoing, Landlord shall not be liable or responsible for any such injury, death, loss or damage to any persons or property caused or contributed to by any of the following: fire, explosion, steam, water, rain, snow, dampness, leakage, electricity or gas, save and except where such loss or damage has resulted from or contributed to by the negligence of Landlord, its servants, agents, employees, contractors or persons for whom Landlord is in law responsible. Without limiting or affecting the interpretation of the foregoing, and notwithstanding the foregoing, it is agreed that Landlord shall in no event be liable for any indirect or consequential damages suffered by Tenant.

13.06 Indemnity of Landlord

Tenant shall indemnify Landlord and all of its servants, agents, employees, contractors and persons for whom Landlord is in law responsible against any and all liabilities, claims, damages, losses and expenses, including all reasonable legal fees and disbursements, arising from: (i) any breach by Tenant of any of the provisions of this Lease; (ii) any act or omission of any person on the Premises or any use or occupancy of or any things in the Premises; (iii) any act or omission of Tenant or any of its servants, agents, employees, invitees, licensees, sub-tenants, concessionaires, contractors or persons for whom Tenant is in law responsible on the Premises or elsewhere on or about the Project; or (iv) any injury or death of persons, or any loss or damage to property of Tenant or any of its servants, agents, employees, invitees, licensees, subtenants, contractors or persons for whom Tenant is in law responsible, on the Premises or elsewhere on or about the Project.

13.07 Landlord's Employees and Agents

Every indemnity, exclusion or release of liability and waiver of subrogation contained in this Lease for the benefit of Landlord shall extend to and benefit all of Landlord's servants, agents, employees, others for whom Landlord is in law responsible, and contractors of Landlord. Solely for such purpose, and to the extent that Landlord expressly chooses to enforce the benefits of this Section for the foregoing persons, it is agreed that Landlord is the agent or trustee for such persons.

ARTICLE 14 ASSIGNMENT, SUBLETTING AND CHANGE OF CONTROL

14.01 Consent Required

- (a) Tenant shall not assign this Lease in whole or in part and shall not sublet or part with or share possession of all or any part of the Premises and shall not grant any licences or other rights to others to use any portion of the Premises (all of the foregoing being hereinafter referred to as a "**Transfer**"; a party making a Transfer is referred to as a "**Transferor**" and a party taking a Transfer is referred to as a "**Transferee**") without the prior written consent of Landlord in each instance, which consent shall not be unreasonably withheld. The provisions of this Article 14 shall apply to any Transfer which might occur by inheritance or operation of law.

- (b) If Landlord withholds, delays or refuses to give consent to any Transfer, whether or not Landlord is entitled to do so, Landlord shall not be liable for any losses or damages in any way resulting therefrom and Tenant shall not be entitled to terminate this Lease or exercise any other remedy whatever in respect thereof except to seek the order of a court of competent jurisdiction compelling Landlord to grant any such consent which Landlord is obliged to grant pursuant to the terms of this Lease.

14.02 Obtaining Consent

All requests to Landlord for consent to any Transfer shall be made to Landlord in writing together with a copy of the agreement pursuant to which the proposed Transfer will be made, accompanied by such information in writing as a landlord might reasonably require respecting a proposed Transferee including, without limitation, name, business and home addresses and telephone numbers, business experience, credit information and rating, financial position and banking and personal references, description of business proposed to be conducted by the Transferee on the Premises and parking requirements for such business. Tenant shall promptly pay all costs incurred by Landlord in considering and processing the request for consent including legal costs and all costs of completing any documentation to implement any Transfer, which shall be prepared by Landlord or its solicitor if required by Landlord.

14.03 Terms of Consent

In the event of a Transfer Landlord shall have the following rights, in default of any of which no such Transfer shall occur or be effective:

- (i) to require Tenant and the Transferee, to enter into a written agreement to implement any amendments to this Lease to give effect to Landlord's exercise of any of its rights hereunder;
- (ii) to require the Transferee to enter into an agreement with Landlord in writing and under seal to be bound by all of Tenant's obligations under this Lease in respect of the portion of the Premises which is the subject of the Transfer;
- (iii) require, if the Transfer is a sublease or other transaction other than an assignment, that upon notice from Landlord to the Transferee all amounts payable by the Transferee each month shall be paid directly to Landlord who shall apply the same on account of Tenant's obligations under this Lease;
- (iv) receive all amounts to be paid to Tenant under the agreement in respect of such Transfer less only the direct costs of Tenant related to the Transfer such as legal costs and commissions, and less, in the case of a sublease, all amounts receivable by Tenant under the sublease equal to the amount payable by Tenant hereunder each month during the said term of the sublease in respect of the sublet portion of the Premises.

14.04 Effect of Transfer

- (a) No consent of Landlord to a Transfer shall be effective unless given in writing and executed by Landlord and no such consent shall be presumed by any act or omission of Landlord or by Landlord's failure to respond to any request for consent or by Landlord's accepting any payment of any amount payable hereunder from any party other than Tenant. No Transfer and no consent by Landlord to any Transfer shall constitute a waiver of the necessity to obtain Landlord's consent to any subsequent or other Transfer.

- (b) In the event of any Transfer or any consent by Landlord to any Transfer, Tenant shall not thereby be released from any of its obligations hereunder but shall remain bound by all such obligations pursuant to this Lease for the balance of the Term. If this Lease is renewed or extended by any Transferee pursuant to any option of Tenant, each Transferor shall be liable for all of the obligations of Tenant throughout the Term as renewed or extended.
- (c) Every Transferee shall be obliged to comply with all of the obligations of Tenant under this Lease, and any default of any Transferee shall also constitute a default of Tenant hereunder. If this Lease is ever disclaimed or terminated by a trustee in bankruptcy of a Transferee Tenant shall nevertheless remain responsible for fulfilment of all obligations of Tenant hereunder for what would have been the balance of the Term but for such disclaimer or termination, and shall upon Landlord's request enter into a new lease of the Premises for such balance of the Term and otherwise on the same terms and conditions as in this Lease.

14.05 No Advertising of Premises

Tenant shall not advertise this Lease or all or any part of the Premises or the business or fixtures or contents therein for sale without Landlord's prior written consent.

14.06 Mortgage of Lease

The restrictions on Transfer as aforesaid shall apply to any assigning, subletting, mortgaging, charging or otherwise transferring of the Premises or this Lease for the purpose of securing any obligation of Tenant.

14.07 Corporate or Partnership Tenant

If Tenant or any occupant of the Premises at any time is a corporation or a partnership, the transfer or issue by sale, assignment, subscription, transmission on death, mortgage, charge, security interest, operation of law or otherwise, of any securities, voting rights or interest which would result in any change in the effective control of the direction or the management and policies of the corporation or partnership or in any change in the beneficial ownership of such corporation or partnership shall be deemed for all purposes of this Article 14 to be a Transfer, unless such change occurs as a result of trading in securities on a recognized exchange in Canada or the United States. Upon request Tenant shall make the corporate or partnership books and records of Tenant and of any affiliate of Tenant available to Landlord and its representatives for inspection in order to ascertain whether or not there has at any time during the Term been a change in control of Tenant corporation or partnership as aforesaid.

14.08 Assignment by Landlord

If Landlord sells, leases, mortgages or otherwise disposes of the Project or any part thereof or assigns its interest in this Lease, to the extent that the purchaser or assignee agrees with Landlord to assume the covenants and obligations of Landlord hereunder, Landlord shall thereupon be released from all liability pursuant to the terms of this Lease.

14.09 Permitted Transfers

Notwithstanding anything to the contrary in this Lease, so long as the Tenant is The Corporation of the Town of Peterborough or a Permitted Transferee (as defined below) and is not then in default under the terms of this Lease beyond any applicable cure period, the Tenant may, without the consent of the Landlord, but upon not less than thirty (30) days' prior written notice to the

Landlord, sublet all or a portion of the Premises or assign this Lease to a provincial ministry, government agency, private operator, board, municipality or commission (a “Permitted Transfer” and such transferee being a “Permitted Transferee”), provided: (i) the Tenant shall be jointly and severally liable with the Permitted Transferee under this Lease and shall not be released from its covenants by reason of any such Transfer; (ii) the Tenant shall cause the Permitted Transferee to execute a reasonable form of assumption agreement or other agreement reasonably requested by the Landlord directly with the Landlord, prepared at the Tenant’s cost, under which the Permitted Transferee assumes the Tenant’s obligations under this Lease; (iii) all actual, out-of-pocket costs reasonably incurred by the Landlord in connection with the assignment or sublease to a Permitted Transferee shall be paid by the Tenant; and (iv) the business to be carried on in the Premises by the Permitted Transferee is not inconsistent with the use set out herein and otherwise complies with the terms of this Lease.

ARTICLE 15 STATUS AND SUBORDINATION OF LEASE

15.01 Status Statement

Tenant shall, within ten (10) days after written request from Landlord, execute and deliver to Landlord, or to any actual or proposed lender, purchaser or assignee of Landlord, a statement or certificate in such form as requested by Landlord stating (if such is the case, or stating the manner in which such may not be the case): (i) that this Lease is unmodified and in full force and effect; (ii) the date of commencement and expiry of the Term and the dates to which Basic Rent and any other Rent, including any prepaid rent, have been paid; (iii) whether or not there is any existing default by Landlord under this Lease and, if so, specifying such default; and (iv) that there are no defences, counterclaims or rights of set-off in respect of the obligations hereunder of Tenant.

15.02 Subordination

At the option of Landlord to be expressed in writing from time to time this Lease and the rights of Tenant hereunder are and shall be subject and subordinate to any and all mortgages, trust deeds and charges (any of which is herein called “**Mortgage**”) on the Project or any part thereof now or in the future, including all renewals, extensions, modifications and replacements of any Mortgages from time to time. Tenant shall at any time on notice from Landlord or holder of a Mortgage attorn to and become a tenant of the holder of any such Mortgage upon the same terms and conditions as set forth herein and shall execute promptly on request any certificates, agreements, instruments of postponement or attornment or other such instruments or agreements, including without limitation any short form or notice of this Lease for the purpose of registration on title to the Project, as requested from time to time to give full effect to this Article 15. Provided Tenant is not in default hereunder, Landlord shall use reasonable efforts to obtain from the holder of any Mortgage, in respect of which tenant has executed and delivered an instrument of postponement, subordination or attornment as required hereby, its agreement to permit Tenant to continue to occupy the Premises in accordance with the terms of this Lease.

15.03 Tenant’s Failure to Comply

If Tenant fails to execute any certificate, agreement, instrument, or other document as required by the foregoing provisions of this Article 15 within ten (10) days after request by Landlord, then Landlord shall have the right, without limiting any other rights of Landlord hereunder or at law, to terminate this Lease or to execute any such certificate, agreement, instrument or document on behalf of Tenant and in Tenant’s name, for which purpose Tenant hereby appoints Landlord as Tenant’s attorney.

15.04 Registration

Tenant shall not register on title to the Lands this Lease or any short form or notice hereof except in such form as has been approved by Landlord, acting reasonably, in writing, provided that Tenant shall pay Landlord's reasonable expenses, including legal fees, of such approval. The Tenant specifically acknowledges and agrees that Landlord may require that any short form or notice of this Lease be registered against only those lot(s) of the Project upon which the Premises is situated or, in the alternative, Tenant shall be required, at the request of Landlord, to promptly release and/or discharge any registration of this Lease, or any short form or notice thereof from those lot(s) which are the subject of a sale, conveyance, severance or other disposition by Landlord. If Tenant registers or causes or permits there to be registered against the title to the Project any short form or notice of this Lease or other document, Tenant shall forthwith provide to Landlord details of such registration and a duplicate registered copy of the registered document. Upon the natural expiry or earlier termination of the Term, Tenant shall, at its expense, expunge or discharge from the register of the title of the land on which the Project is located any interest of Tenant therein.

ARTICLE 16 DEFAULT AND REMEDIES

16.01 Default and Remedies

If any of the following shall occur:

- (i) Tenant fails, for any reason, to make any payment of Rent as and when the same is due to be paid hereunder and such default continues for five (5) days after written notice given from the Landlord or its solicitor to the Tenant;
- (ii) Tenant fails to perform any obligation of Tenant pursuant to this Lease other than the payment of any Rent, and such default continues for fifteen (15) days, or such shorter period as expressly provided herein, after notice thereof to Tenant;
- (iii) any of Landlord's insurance policies on the Project are actually or threatened to be cancelled or adversely changed as a result of any use of or articles on or about the Premises;
- (iv) Tenant shall purport to make a Transfer affecting the Premises, or the Premises shall be used by any person or for any purpose, other than in compliance with this Lease;
- (v) Tenant or any other occupant of the Premises makes an assignment for the benefit of creditors or becomes bankrupt or insolvent or takes the benefit of any statute for bankrupt or insolvent debtors or makes any proposal or arrangement with creditors, or Tenant makes any sale in bulk of any property on the Premises (other than in conjunction with a Transfer approved in writing by Landlord and made pursuant to all applicable legislation), or steps are taken for the winding up or other termination of Tenant's existence or liquidation of its assets;
- (vi) a trustee, receiver, receiver-manager, or similar person is appointed in respect of the assets or business of Tenant or any other occupant of the Premises;
- (vii) Tenant attempts to or does abandon the Premises or remove or dispose of any goods from the Premises, so that there would not be sufficient goods on the Premises subject to distress to satisfy all arrears of Rent and all Rent payable hereunder for a further period of at least six (6) months;

- (viii) this Lease or any other property of Tenant is at any time seized or taken in execution which remains unsatisfied for a period of five (5) days or more;
- (ix) termination or re-entry by Landlord is permitted under any provision of this Lease or at law;

then the then current and the next three (3) months' Rent shall be forthwith due and payable and, in addition to any other rights or remedies to which Landlord is entitled hereunder or at law, Landlord shall have the following rights and remedies, which are cumulative and not alternative, namely:

- (I) to terminate this Lease in respect of the whole or any part of the Premises by written notice to Tenant;
- (II) as agent of Tenant to relet the Premises and take possession of any furniture, fixtures, equipment or other property thereon and, upon giving notice to Tenant, to store the same at the expense and risk of Tenant or sell or otherwise dispose of the same at public or private sale without further notice, and to make alterations to the Premises to facilitate their reletting and to apply the net proceeds of the sale of any furniture, fixtures, equipment, or other property or from the reletting of the Premises, less all expenses incurred by Landlord in making the Premises ready for reletting and in reletting the Premises, on account of the Rent due and to become due under this Lease and Tenant shall be liable to Landlord for any deficiency and for all such expenses incurred by Landlord as aforesaid; nothing done by Landlord shall be construed as an election to terminate this Lease unless written notice of such termination is given by Landlord to Tenant;
- (III) to remedy any default of Tenant in performing any repairs, work or other obligations of Tenant hereunder, and in so doing to enter upon the Premises, without any liability to Tenant therefor and without constituting a re-entry of the Premises or termination of this Lease or breach of the Landlord's covenant of quiet enjoyment, and, in such case, Tenant shall pay to Landlord forthwith upon demand all reasonable costs of Landlord in remedying or attempting to remedy any such default plus fifteen percent (15%) of the amount of such costs for Landlord's administration; and
- (IV) to obtain damages from Tenant including, without limitation, if this Lease is terminated, all deficiencies between all amounts which would have been payable by Tenant for what would have been the balance of the Term, but for such termination, and all net amounts actually received by Landlord for such period.

16.02 Interest

All amounts of Rent shall bear interest from their respective due dates until the dates of payment at the rate of five percent (5%) per annum in excess of the prime rate of interest charged by Landlord's bank from time to time.

16.03 Costs

Tenant shall pay to Landlord forthwith upon demand all costs incurred by Landlord, including, without limitation, legal expenses on a substantial indemnity basis and reasonable compensation for all time

expended by Landlord's own personnel, arising as a result of any default in Tenant's obligations under this Lease.

16.04 Distress and Tenant's Property

Tenant hereby waives and renounces the benefit of any present or future statute taking away or limiting Landlord's right of distress and agrees with Landlord that, notwithstanding any such statute, all goods and chattels from time to time on the Premises shall be subject to distress for Rent. All Tenant's personal property on the Premises shall at all times be the unencumbered property of Tenant.

16.05 Remedies to Subsist

No waiver of any of Tenant's obligations under this Lease or of any of Landlord's rights in respect of any default by Tenant hereunder shall be deemed to have occurred as a result of any condoning, overlooking or delay by Landlord in respect of any default by Tenant or by any other act or omission of Landlord including, without limitation, the acceptance of any Rent less than the full amount thereof or the acceptance of any Rent after the occurrence of any default by Tenant. The waiver by Landlord of any default of Tenant or of any rights of Landlord, which shall be effected only by an express written waiver executed by Landlord, shall not be deemed to be a waiver of any term, covenant or condition in respect of which such default or right has been waived and shall not be deemed to be a waiver of any subsequent default of Tenant or right of Landlord. All rights and remedies of Landlord under this Lease and at law shall be cumulative and not alternative, and the exercise by Landlord of any of its rights pursuant to this Lease or at law shall at all times be without prejudice to any other rights of Landlord, whether or not they are expressly reserved. Tenant's obligations under this Lease shall survive the expiry or earlier termination of this Lease and shall remain in full force and effect until fully complied with.

16.06 Impossibility of Performance

If and to the extent that either Landlord or Tenant shall be delayed in the fulfilment of any obligation under this Lease, other than the payment by Tenant of any Rent, by reason of unavailability of material, equipment, utilities, services or by reason of any Laws, or by reason of any other similar cause beyond its control and not avoidable by the exercise of reasonable foresight (excluding the inability to pay for the performance of such obligation), then the party being delayed shall be entitled to extend the time for fulfilment of such obligation by a time equal to the duration of such delay and the other party shall not be entitled to any compensation for any loss or inconvenience occasioned thereby. The party delayed will, however, use its best efforts to fulfil the obligation in question as soon as is reasonably practicable by arranging an alternate method of providing the work, services or materials.

16.07 Waiver of Repudiation

Despite the Bankruptcy and Insolvency Act (Canada) or any other applicable Law, the Tenant hereby waives any right which it may have to repudiate this Lease, whether on the filing of a notice of intention or proposal or otherwise.

ARTICLE 17 CONTROL OF PROJECT

17.01 Landlord's Control

The Project and Common Facilities, is at all times subject to exclusive control and management of the Landlord and entities related to the Landlord. To this end, the Landlord shall, to the extent within its control, operate and maintain the Project in such a manner as the Landlord determines from time to time having

regard to its size, age, features, and location. The Landlord may, in its management and operation of the Project: (i) close all or any portion of the Common Facilities to such an extent as may be necessary to facilitate activities such as sporting events, exhibitions, festivals, street vending and the like, (ii) convert any Common Facilities to Rentable Areas or use any part of the Common Facilities for merchandising, display, decorations, entertainment and structures designed for retail selling or special features or promotional activities, (iii) designate and specify the kinds of containers to be used for the disposal of refuse, and the manner and times at which they are to be placed for collection, including any requirement to segregate recyclable and non-recyclable waste. Landlord shall also have the right to obstruct or close off or restrict entry to all or any part of the Project for purposes of performing any maintenance, repairs or replacements or for security purposes or to prevent the accrual of any rights to any person or the public or any dedication thereof, provided that in exercising any such right Landlord shall use reasonable best efforts to minimize interference with Tenant's access to and use of the Premises.

17.02 Depiction of the Project

The Tenant acknowledges that the depiction of the Project including the Premises as shown on Schedule A does not constitute a representation, warranty or covenant of any kind whatsoever as to Landlord's intentions with respect to the Project. Tenant further acknowledges that Landlord may develop the Project differently from that shown on Schedule A, all as determined by Landlord, acting reasonably, provided that, if the Landlord intends to change, alter, amend or deviate from the existing plan for the Project, as shown on Schedule A, and such changes materially impact the configuration, design, size or location of the Premises, the Landlord shall obtain the Tenant's prior approval prior to making such changes (which approval may not be unreasonably withheld or delayed).

17.03 Alterations of the Project

The Landlord may, to the extent within its control, change the layout or arrangement of the Project, including:

- (a) Constructing other buildings, structures, or improvements in the Project and make alterations, renovations, additions, deletions, or rearrangements of or to any of them, build incremental stories or an office or residential component on top of any building or facilities proximal to the Project;
- (b) Intentionally deleted.

In the exercise of Landlord's rights under subsection 17.03(a) and/or (b), the Landlord shall not be subject to any liability, nor is the Tenant entitled to any compensation or diminution or abatement of Rent, and no alteration or diminution will be deemed to be a constructive or actual eviction of the Tenant or a breach of any covenant for quiet enjoyment.

Tenant acknowledges that portions of the Project may be under construction during the Term, and that such construction activities may cause temporary noise and disturbance to existing tenants of the Project. Landlord will use reasonable efforts to minimize interference with Tenant's occupation of the Premises as a result of such construction activities, but Tenant acknowledges that in no event shall any noise or other disturbance caused by such construction constitute a breach of Tenant's right to quiet enjoyment of the Premises.

Despite anything to the contrary, Tenant acknowledges and agrees that Landlord may acquire from time to time adjoining lands, which lands, once acquired, may in whole or in part(s) form part of the Project which may be developed in whole or in part(s) as either part of the Leasable Area of the Project or part of the

Common Facilities of the Project, or any combination thereof as determined by the Landlord. The Tenant shall not oppose any application made by or on behalf of the Landlord with respect to any actions, steps, decisions, proceedings, permits, licences, zoning, rezoning, variances or other governmental approvals sought by or on behalf of the Landlord from time to time with respect to or in connection with any such lands or the Project, save and except where such application may materially adversely impact the Tenant's use of the Premises as contemplated by this Lease.

In the exercise of its rights under this Section 17.03, the Landlord shall use commercially reasonable efforts: (i) not to interfere with access to the Premises or the Project, except in the case of a real or apprehended emergency; (ii) to perform any work hereunder in such a manner so as to minimize disruption to the Tenant's business operations in the Premises; and (iii) to conduct all such work as expeditiously as reasonably possible having regard to all the circumstances and the nature of the Tenant's operations in the Premises.

17.04 Use of Common Facilities

Tenant shall not itself and shall not permit any of its employees, servants, agents, contractors or persons having business with Tenant, to obstruct any Common Facilities including driveways, laneways or access routes, or to park vehicles in any portion of the Common Facilities other than such areas as expressly authorized by Landlord, and Landlord shall have the right, at Tenant's expense payable on demand, to remove any such obstruction or improperly parked vehicles, without liability for any damage caused thereby.

17.05 Rules and Regulations

Landlord may from time to time make and amend reasonable rules and regulations for the management and operation of the Project and Tenant and all persons under its control shall comply with all of such rules and regulations of which notice is given to Tenant from time to time, all of which shall be deemed to be incorporated into and form part of this Lease. Landlord shall not make any rules or regulations which conflict with any express provision of this Lease unless and only to the extent required by any applicable Laws. Landlord shall act reasonably in enforcing such rules and regulations but shall not be liable for their non-enforcement.

17.06 Access to Premises

- (a) Without limiting any other rights Landlord may have pursuant hereto or at law, Landlord shall have the right to enter the Premises at any time for any of the following purposes: (i) to examine the Premises and to perform any maintenance, repairs or alterations to any part of the Premises or to any equipment and services serving the Premises or any other part of the Project; (ii) in cases of emergency; (iii) to read any utility or other meters; (iv) during the last twelve (12) months of the Term to show the Premises to prospective tenants and to permit prospective tenants to make inspections, measurements and plans; and (v) at any time during the Term to show the Premises to prospective purchasers or lenders.
- (b) Landlord shall have the right to run through the Premises conduits, wires, pipes, ducts and other elements of any systems for utilities, heating, ventilating, air-conditioning and humidity control, telephone and other communications systems and any other such systems to serve the Premises or the Project.
- (c) Landlord shall exercise its rights pursuant to this Section 17.06 in such manner and at such times as Landlord, acting reasonably but in its sole discretion, shall determine. At any time that entry by Landlord is desired in case of emergency, and if no personnel of Tenant are

known by Landlord to be present on the Premises or if such personnel fail for any reason to provide Landlord immediate access at the time such entry is desired, Landlord may forcibly enter the Premises without liability for damage caused thereby.

17.07 Expropriation

If the Premises, the Project or any part thereof shall be expropriated (which for the purposes of this Article 17 shall include a sale by Landlord to any authority with the power of expropriate) by any competent authority then Landlord and Tenant shall co-operate with each other so that each party may receive such award to which it is entitled in law.

17.08 Landlord Termination Right

Intentionally deleted

ARTICLE 18 MISCELLANEOUS

18.01 Notices

All Notices, statements, demands, requests or other instruments (“**Notices**”) which may be or are required to be given under this Lease shall be in writing and shall be delivered in person or sent by prepaid registered Canadian mail addressed, if to the Tenant, at the Address for Service of Notice on Tenant, and if to the Landlord at the Address for Service of Notice on Landlord, all as provided in Section 1.01 hereof.

All such Notices shall be conclusively deemed to have been given and received upon the day the same is personally delivered or, if mailed as aforesaid, four (4) business days (excluding Saturdays, Sundays, holidays and days upon which regular postal service is interrupted or unavailable for any reason) after the same is mailed as aforesaid. Any party may at any time by notice in writing to the other change the Address for Service of Notice on it. If two or more persons are named as Tenant, any Notice given hereunder shall be sufficiently given if delivered or mailed in the foregoing manner to any one of such persons.

18.02 Complete Agreement

There are no covenants, representations, agreements, warranties or conditions in any way relating to the subject matter of this Lease or the tenancy created hereby, expressed or implied, collateral or otherwise, except as expressly set forth herein, and this Lease constitutes the entire agreement between the parties and may not be modified except by subsequent written agreement duly executed by Landlord and Tenant.

18.03 Time of the Essence

Time is of the essence of all terms of this Lease.

18.04 Applicable Law

This Lease shall be governed by and interpreted in accordance with the laws of the Province of Ontario. The parties agree that the Courts of Ontario shall have jurisdiction to determine any matters arising hereunder.

18.05 Severability

If any provision of this Lease is illegal, unenforceable or invalid, it shall be considered separate and severable and all the remainder of this Lease shall remain in full force and effect as though such provision had not been included in this Lease but such provision shall nonetheless continue to be enforceable to the extent permitted by law.

18.06 Section Numbers and Headings

The table of contents and all Section numbers and headings of this Lease are inserted for convenience only and shall in no way limit or affect the interpretation of this Lease. References in this Lease to Section numbers refer to the applicable Section of this Lease, unless a statute or other document is specifically referred to.

18.07 Interpretation

Whenever a word importing the singular or plural is used in this Lease such word shall include the plural and singular respectively. Where any party is comprised of more than one entity, the obligations of each of such entities shall be joint and several. Words importing persons of either gender or firms or corporations shall include persons of the other gender and firms or corporations as applicable. Subject to the express provisions contained in this Lease, words such as “hereof”, “herein”, “hereby”, “hereafter”, and “hereunder” and all similar words or expressions shall refer to this Lease as a whole and not to any particular Section or portion hereof.

18.08 Successors

This Lease shall enure to the benefit of and be binding upon the parties hereto and their respective heirs, executors, administrators, successors, assigns and other legal representatives except only that this Lease shall not enure to the benefit of any of such parties unless and only to the extent expressly permitted pursuant to the provisions of this Lease.

18.09 Limitation

The parties to this Lease acknowledge and agree that any recourse against the Landlord hereunder shall be limited to its interest in the Project which is the subject matter of this Lease.

18.10 Confidentiality

The Tenant covenants not to disclose to any person the financial or any other terms of this Lease, except for disclosure to the Tenant’s professional advisors in their capacity as such, and except as otherwise required by law. Failure to comply with this prohibition shall constitute an event of default under this Lease.

18.11 Counterparts

This Lease may be executed in several counterparts, each of which, once executed, shall be deemed to be an original and such counterpart together with the other counterparts shall constitute one and the same instrument. The parties hereto consent to the use of electronic signatures and agree that this Lease and all agreements and documents required or desirable to give effect to this Lease may be executed either in original or by electronic means, and may be transmitted by PDF, and the parties adopt any such electronic execution or signatures received by PDF as original signatures of the parties

IN WITNESS WHEREOF the parties have executed this Lease.

Executed by the Landlord on:
this ___ day of _____

LANDLORD:
**THE CORPORATION OF THE TOWNSHIP OF
CAVAN MONAGHAN**

Per: _____
Name:
Title:

c/s

Per: _____
Name:
Title:
I/We have authority to bind the Corporation

Executed by the Tenant on:
this 19 day of February,
2025

TENANT:
**THE CORPORATION OF THE COUNTY OF
PETERBOROUGH**

Per: Bonnie Clark
Name: Bonnie Clark
Title: Warden

c/s

Per: Kari Stevenson
Name: Kari Stevenson
Title: Clerk
I/We have authority to bind the Corporation

**SCHEDULE A
OUTLINE PLAN OF PREMISES**

**SCHEDULE C
SPECIAL PROVISIONS**

1. Right of First Refusal

Provided the Tenant is (i) The Corporation of the County of Peterborough; (ii) the Tenant is in occupancy of the entire Premises and has not sublet all or part of the Premises or assigned the Lease; and (iii) the Tenant is not in material default of the Lease beyond any applicable cure period, the Landlord hereby grants the Tenant a right of first refusal ("**ROFR**") to lease during the Term or any renewals or extensions thereof, any available space on the Lands (the "**ROFR Space**") that is the subject of a bona fide offer to lease from an arm's length third party acceptable to the Landlord (the "**ROFR Offer**"), on the terms and conditions of the ROFR Offer. The Landlord shall provide a copy of the ROFR Offer to the Tenant and the Tenant shall have thirty (30) days from the date of Landlord's delivery of the ROFR Offer to exercise the ROFR to match the terms outlined in the ROFR Offer. This right may be exercised, within such time, by the Tenant delivering notice in writing to the Landlord of its acceptance of the terms of the ROFR Offer, whereupon a binding agreement to lease such ROFR Space shall exist between the Landlord and the Tenant, and the Tenant shall thereafter execute the Landlord's standard form of lease amending agreement to incorporate the terms and conditions contained in the ROFR Offer. Should the Landlord not receive written notice from the Tenant within the thirty (30) days that the Tenant is exercising its ROFR, the Tenant shall be deemed to have waived its right and the Landlord shall be free thereafter to lease the ROFR Space to the third party on the terms of the ROFR Offer.

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