

Deloitte.



NO. S-245340
VANCOUVER REGISTRY

IN THE SUPREME COURT OF BRITISH COLUMBIA

BETWEEN:

ROYAL BANK OF CANADA

PETITIONER

AND:

G3 GENUINE GUIDE GEAR INC.

RESPONDENT

**FIRST REPORT OF THE COURT APPOINTED RECEIVER
OF G3 GENUINE GUIDE GEAR INC.**

DATED NOVEMBER 4, 2024

PREPARED BY DELOITTE RESTRUCTURING INC.

TABLE OF CONTENTS

INTRODUCTION	3
Purpose of the First Report	4
Terms of reference	4
BACKGROUND	5
Books and records	5
Background on the financial difficulties faced by G3	6
POWERS OF RECEIVER	6
ACTIONS OF THE RECEIVER	6
ASSETS OF THE COMPANY	7
Bank accounts	7
Accounts receivable	7
Prepaid expenses	8
Income tax and SRED refund receivables	8
Inventory	8
Equipment and intellectual property	9
THE RECEIVER'S SALE ACTIVITIES	9
Proposed transaction	11
LEASE ASSIGNMENT	12
CREDITORS AND SECURED CHARGES	12
CRA priority claims	12
Wage Claims	13
Receiver's charge and borrowings	13
RBC indebtedness	13
FWC indebtedness	13
Unsecured creditors	14
STATEMENT OF RECEIPTS AND DISBURSEMENTS	14
PROPOSED DISTRIBUTION	14
CONCLUSIONS AND RECOMMENDATIONS	15

APPENDICES

Appendix "A" – Receiver's Statement of Receipts and Disbursements

Appendix "B" – Sales Process Teaser

Appendix "C" – Sales Process Summary

Appendix "D" – Asset Purchase Agreement with CSI dated November 1, 2024 (redacted)

Appendix "E" – Original and Amending Lease Agreements for the Premises

INTRODUCTION

1. This report (the "**First Report**") is filed by Deloitte Restructuring Inc. ("**Deloitte**") in its capacity as Court-appointed receiver (the "**Receiver**") of certain assets of G3 Genuine Guide Gear Inc. ("**G3**" or the "**Company**"), as detailed below.
2. Pursuant to an application made by the Royal Bank of Canada ("**RBC**"), the Supreme Court of British Columbia (the "**Court**") made an Order dated August 9, 2024 (the "**Date of Receivership**") appointing Deloitte as Receiver (the "**Receivership Order**") as of that date. The Court proceedings in which the Receiver was appointed are referred to herein as the "**Receivership Proceedings**".
3. RBC holds a security interest in all presently owned and after acquired personal property of the Company (the "**RBC Security**"), and has a first in time registered financing statement in respect of the foregoing collateral. The Receiver understands FWC Capital Corp. ("**FWC**", and together with RBC, the "**Lenders**") also holds a security interest in all presently owned and after acquired personal property of the Company (the "**FWC Security**") and has a second in time registered financing statement in respect of the same.
4. Pursuant to a Subordination and Standstill Agreement dated June 16, 2017 (the "**Priority Agreement**") among RBC, FWC and G3, RBC agreed the FWC Security had priority over the RBC Security in respect of (i) a \$1,800,000 life insurance policy (Policy No. 8819908) over the life of Mr. Oliver Steffen (the "**Insurance Policy**") and (ii) the intellectual and industrial property owned or exclusively licensed by the Company, including all patents, industrial designs, copyrights, trademarks, trade names, trade secrets, computer software and options and rights to use any of the foregoing ("**IP Assets**", and together with the Insurance Policy, the "**FWC Collateral**").
5. Accordingly, RBC appears to be the first-ranking secured creditor on the personal property, real property, and other assets of G3, excluding the FWC Collateral (collectively, the "**Hard Assets**"), and FWC appears to be the first-ranking secured creditor on the FWC Collateral, in each case subject to any "super priority" security interests.
6. As a result of the Priority Agreement, the property subject to the Receivership Order expressly excluded the FWC Collateral. All other personal property, real property, assets, effects and undertakings of G3, including proceeds are subject to the Receivership Order.
7. As of September 3, 2024, the Receiver understands that RBC was owed approximately \$2.4 million by the Company (the "**RBC Debt**") and FWC was owed approximately \$2.2 million (the "**FWC Debt**"). The Lenders also hold corporate guarantees and personal granted by Mr. Oliver Steffen ("**Mr. Steffen**"), including a second mortgage on Mr. Steffen's personal residence.
8. The Receiver's independent legal counsel, Dentons Canada LLP ("**Dentons**"), has completed an independent review of the RBC Security and the FWC Security and has advised that both are valid and enforceable, and that RBC and FWC have taken the necessary steps to perfect their security interests as against third parties, subject to standard assumptions and qualifications (the "**Security Opinions**").
9. Following the issuance of the Receivership Order, the Receiver issued a statutory Notice and Statement of the Receiver (the "**Notice to Creditors**") pursuant to subsections 245(1) and 246(1) of the *Bankruptcy and Insolvency Act* (the "**BIA**").
10. The Receivership Order, together with the Notice to Creditors and various Court materials have been posted on the Receiver's website at <https://www.insolvencies.deloitte.ca/en-ca/Pages/G3GenuineGuide.aspx> (the "**Receiver's Website**"). The First Report will also be posted to the Receiver's Website after it has been filed with the Court.

11. In addition to this First Report, the Receiver is preparing a confidential supplement to the First Report (the "**First Confidential Report**") which the Receiver is seeking to be sealed in the Court file.
12. Unless otherwise provided, all other capitalized terms not defined in this First Report are as defined in the Receivership Order.

Purpose of the First Report

13. The purpose of this First Report is as follows:
 - a. To provide the Court with an overview of the Company's business and pertinent background information.
 - b. To report on the Receiver's activities since the Date of Receivership.
 - c. To report on the receipts and disbursements in the Receivership Proceedings as outlined in the Receiver's statement of receipts and disbursements from the Date of the Receivership to October 17, 2024 (the "**Receiver's R&D**"), a copy of which is attached hereto as **Appendix "A"**.
 - d. To report on the sale process undertaken by the Receiver (the "**Sales Process**") to realize on the Company's assets.
 - e. To provide an overview of the salient terms of the asset purchase agreement between the Receiver and Canadawide Sports Inc. ("**CSI**" or the "**Purchaser**") dated November 1, 2024 that includes both the RBC Security and the FWC Collateral (the "**CSI Offer**") and is being presented to the Court for approval.
 - f. To report on the Receiver's recommendation regarding the distribution of the proceeds to RBC and FWC from the CSI Offer.
 - g. To support the Receiver's application(s) (to be filed) for the following orders:
 - i. Approving the activities of the Receiver as described in this First Report.
 - ii. Approving the Receiver's R&D.
 - iii. Approving the amendment of the Receivership Order to include the FWC Collateral into the Receivership Proceedings.
 - iv. Authorizing and directing the Receiver to complete the transaction pursuant to the CSI Offer (the "**Transaction**") and carrying out all steps necessary to do so (and further described later herein), including obtaining the Lease Assignment Order (as defined later herein) if required.
 - v. Approving and authorizing the Receiver to make an interim distribution to RBC and FWC pursuant to the Distribution Order (as defined later herein).
 - vi. Authorizing and directing that the First Confidential Report be filed under seal pending further order of this Court (the "**Sealing Order**").

Terms of reference

14. In preparing this First Report, the Receiver has relied upon unaudited financial and other information prepared by the Company's accountants, the Company's books and records, and discussions with the former principal of the Company, Mr. Steffen, and the former accounting and credit manager of the Company, Ms. Christine Gemino ("**Ms. Gemino**").
15. The Receiver has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the information in a manner that would wholly or partially comply with

Generally Accepted Assurance Standards pursuant to the *Chartered Professional Accountants Canada Handbook* and, accordingly, the Receiver expresses no opinion or other form of assurance in respect of this information.

16. All dollar amounts in this First Report are in Canadian dollars, unless otherwise indicated.

BACKGROUND

17. G3 was a Burnaby, BC-based manufacturer and retailer of backcountry ski equipment and related gear and accessories, including ski bindings, skis and split-boards, tension straps, and ski skins.
18. G3 sold its products directly to consumers through three online storefronts, G3, G3 Pro, and Clutch Straps (the "**Online Storefronts**"). It also sold directly to retail distributors in North America, Asia, and Europe. A small selection of products were also sold on Amazon and held in Amazon-owned warehouses.
19. G3 operated out of a 17,100 square foot warehouse and office space located at 3771 Marine Way, Burnaby, BC V5J 5A7 (the "**Premises**"). G3 is the tenant under a lease agreement with the landlord, Hallmark Holdings Ltd. c/o Canreal Management Corporation (the "**Landlord**"), most recently indentured as of January 27, 2020 (the "**Lease**").
20. The Company's primary asset is finished and raw inventory, with some amounts of equipment, accounts receivable ("**AR**"), and income taxes receivable ("**ITR**").
21. G3 was incorporated in British Columbia on October 10, 1997. The sole director and officer of G3 is Mr. Steffen. The Receiver understands that Mr. Steffen is the primary shareholder of the Company.
22. Mr. Steffen has not been retained or paid by the Receiver, but has assisted the Receiver with various information requests.

Books and records

23. The Company maintains hard copy and electronic books and records which are held at the Premises. The Company's electronic records are stored on a network folder accessible only at the Premises or through a virtual private network.
24. The books and records were current up to the Date of Receivership and appear to be organized.
25. Sales data for the Online Storefronts is also stored on Shopify's online platform and accessible via username and password. The Receiver obtained its own login information to access this data.
26. D&H Group LLP ("**D&H**") was partially through an annual review engagement for the Company's 2024 financial statements as of the Date of Receivership. As such, the most recently reviewed financials are as at April 30, 2023.

Employees and contractors

27. On the Date of Receivership, G3 had the following 26 employees:
 - a. 14 production, purchasing, and shipping staff.
 - b. Four (4) product engineers.
 - c. Four (4) finance personnel.
 - d. Four (4) ecommerce and customer service employees.
28. The Receiver retained Ms. Geminio to assist in various information requests on an as-needed basis.

Background on the financial difficulties faced by G3

29. The business and affairs of G3 and the events leading up to the Company's insolvency are described in further detail in the first affidavit of John Lee of RBC dated August 7, 2024 (the "**Lee Affidavit**") and, accordingly, have not been repeated in this First Report. A copy of the Lee Affidavit is available on the Receiver's Website.
30. In summary, G3 invested significantly in manufacturing equipment and raw materials in order to meet the demands of backcountry skiers during the COVID-19 pandemic. As that demand tailed off post-pandemic, the Company found itself with multiple years' worth of excess inventory that it could not sell on a timely basis. The Company attempted to sell this inventory more quickly by discounting products on their Online Storefronts by 25% to 60% but sales were not sufficient to maintain the operations.
31. The Company was also exploring a sale process as early as March 2024 and retained advisors to assist with that process. While numerous potentially interested parties were identified, the Receiver understands that only one party made an offer which was not accepted by Mr. Steffen.

POWERS OF RECEIVER

32. The Receiver's powers are detailed in paragraph 3 of the Receivership Order and include, among other things, the power to take and maintain possession and control of the Property (as defined in the Receivership Order); the power to manage, operate, and carry on the business of the Company; the power to market and sell the Property (subject to Court approval if any one transaction exceeds \$50,000, provided that the aggregate consideration for all such transactions does not exceed \$100,000).

ACTIONS OF THE RECEIVER

33. The Receiver has taken the following steps with respect to the assets and operations of the Company since the Date of Receivership:
 - a. Attended at the Premises and met with several of the Company's employees to inspect the equipment and inventory of G3 and inform them of the Receivership Order;
 - b. Arranged for a locksmith to change the locks to secure the Premises;
 - c. Arranged to have the Receiver replaced on the alarm system monitoring call list;
 - d. Held discussions with the Landlord to ensure continued occupation of the Premises;
 - e. Advised the Company's insurance broker of the Receivership Proceedings and confirmed and arranged for amendments to the existing insurance policies to reflect the Receivership Proceedings, and extend coverage for three months past the expiration date to December 12, 2024;
 - f. Held multiple meetings with Mr. Steffen and former employees to discuss the operations of the Company and status of orders;
 - g. Contacted RBC to freeze the Company's bank accounts and continue to allow any deposits;
 - h. Enabled the pickup of prepaid order by customer and allowed for delivery of orders from couriers;
 - i. Retained Dentons to act as legal counsel to the Receiver;
 - j. Arranged for Timeline Asset Services Ltd. ("**Timeline**") to undertake an appraisal of certain assets of the Company;

- k. Obtained access to Shopify for the Online Storefronts and cancelled all unfulfilled orders (due to product liability concerns and related insurance coverage for the Receiver) and customers were automatically refunded who placed orders prior to the Receiver shutting down the website on August 12, 2024;
- l. Reviewed the staff complement and payroll and retained Ms. Gemino on a contract basis to collate records required by the Receiver;
- m. Terminated all employees and gathered the information required to prepare the various notices and related employee claims pursuant to the *Wage Earner Protection Program Act* ("**WEPP**").
- n. Held discussions with Dayforce Inc. to collect employee T4 records;
- o. Prepared and issued notices required under the BIA including the Notice to Creditors;
- p. Coordinated the set-up of the Receiver's Website and posted documents related to the Receivership Proceedings;
- q. Liaised with various creditors relating to the Company's outstanding liabilities and the Receivership Proceedings;
- r. Contacted the Canada Revenue Agency ("**CRA**") to review the payroll remittance and goods and services tax ("**GST**") accounts to facilitate filings for the period after the Date of Receivership;
- s. Engaged the Company's third-party accounting firm, D&H, to complete G3's 2024 tax filings with the expectation of realizing on Scientific Research and Experimental Development ("**SRED**") and T2 corporate tax refunds;
- t. Coordinated the set-up of the Receiver's trust account and completed various estate accounting;
- u. Held discussions with and provided various updates to RBC, FWC and/or their legal counsel;
- v. Prepared an analysis of the estimated net realizable value of the RBC Security in various scenarios; and
- w. Conducted the Sales Process and negotiated the CSI Offer, as further detailed later herein.

ASSETS OF THE COMPANY

Bank accounts

- 34. The Receiver is only aware of the Company's CAD and USD bank accounts at RBC and requested that RBC freeze the accounts and forward any funds collected after the Date of Receivership. RBC did offset the funds held in the USD bank account as at the Date of Receivership as against its CAD line of credit and no funds were available at that time. The Receiver is not aware of any other bank accounts held by the Company.

Accounts receivable

- 35. The Receiver obtained an AR listing for the Company which totaled \$209,010 as at June 30, 2024, the date of the most recently completed financial statements. The Receiver reviewed the Company's books and records and worked with Ms. Gemino and determined that the total AR was approximately \$195,000 as of the Date of Receivership.

36. The two largest AR balances as at the Date of Receivership were owing from Amazon and Shopify and totaled approximately \$166,000. The Company received automatic payments from Amazon and Shopify on a biweekly and weekly basis, respectively, and additional inventory has been sold through these channels to and after the Date of Receivership. The Receiver has reviewed the August and September 2024 RBC bank statements and noted that approximately \$62,300 was collected from these two parties since the Date of Receivership. RBC has since transferred these funds to the Receiver's trust account.
37. The remaining AR balances as of the Date of Receivership totaled approximately \$28,800 for 27 other customers, approximately 65% of which were aged greater than 90 days and 14 of which had balances owing of more than \$200. The Receiver issued demand letters to the 14 larger customers whose AR balances totaled \$27,700. Two responses were obtained from customers whose orders were not shipped or whose outstanding balances owing from the Company were higher than the amounts they owed to the Company. Two other responses have been received from customers who have communicated their intent to pay the accounts, which in sum total to approximately \$7,000.
38. As of October 17, 2024, the Receiver has collected approximately \$6,500 in AR from customers which has been deposited in the Receiver's trust account, in addition to those amounts transferred by RBC as discussed above, such that total AR collections to date are \$68,770. The Receiver continues to follow up with customers regarding outstanding amounts owing.

Prepaid expenses

39. G3 had approximately \$55,000 in prepaid expenses as at July 31, 2024. Of this balance, \$20,000 relates to prepaid insurance which continues to be in place. The remaining balance is made up of unknown amounts and is unlikely to be recoverable. The Receiver will investigate the remaining balance in due course.

Income tax and SRED refund receivables

40. As of June 30, 2024, the Company reported a SRED receivable of approximately \$150,000.
41. The Receiver has engaged D&H to prepare and file the SRED and corporate income tax returns required for the year ended April 30, 2024. D&H provided drafts of the returns to the Receiver which include a SRED refund of approximately \$144,000 and a tax loss carryback refund of approximately \$250,000. The Receiver has requested and received additional supporting documents from D&H and authorized the returns which were filed by D&H on October 17, 2024. The potential timing and amounts of any recoveries from these claims are unknown and may be subject to an audit by CRA.

Inventory

42. The Company's inventory is comprised of skis, split-boards, bindings, skins, tension straps, poles, and other accessories. Approximately 85% of the value of inventory is attributed to items located at the Premises. The Receiver performed test counts on the inventory located at the Premises and compared these counts to the inventory records and noted no material errors.
43. The remaining inventory items are stored at various factories in Asia in a raw state or at third party distribution warehouses (i.e. Amazon). The Receiver has not gathered the offsite inventory as the value is not significant and the status of payment and potential storage costs are currently unknown. The Purchaser is aware that some of the Hard Assets are not located at the Premises.

44. The majority of finished inventory bears the G3 name and trademark. The Receiver has held discussions with representatives of FWC and understands that they consider all of the finished inventory to form part of the RBC Security.
45. The Receiver understands that the raw material inventory is of limited value without the industrial know-how to turn some of it into finished goods and without the use of certain patents which form part of the FWC Collateral.

Equipment and intellectual property

46. The Company's property, plant and equipment is recorded at a net book value of approximately \$330,000 in the June 30, 2024 financial statements and is comprised mainly of specialized equipment and the IP Assets.
47. The Receiver engaged Timeline to complete an appraisal of the equipment and inventory and an appraisal report dated September 4, 2024 (the "**Appraisal**") provided a valuation of the equipment and inventory at the Premises on both a forced liquidation value ("**FLV**") and orderly liquidation value ("**OLV**") basis. A copy of the Appraisal is included in an appendix of the First Confidential Report.
48. As noted above, FWC holds a priority security interest in the IP Assets which the Receiver understands are primarily related to 23 patents, in addition to the trademark and G3 name. The IP Assets are not currently subject to the Receivership Order but are included in the CSI Offer and the Receiver is seeking the amendment of the Receivership Order to include the FWC Collateral into the Receivership Proceedings.

THE RECEIVER'S SALE ACTIVITIES

49. At the outset of the Receivership Proceedings, the Receiver immediately started the Sales Process to identify parties that may be interested in acquiring the business and/or assets of G3. The Receiver proceeded on the basis that a potential purchaser would want to capitalize on the upcoming ski season, which would require a transaction happening quickly. Failure to close a transaction prior to the start of when the skiing market begins purchasing products, around November of each year, would impact the value of the assets, according to discussions the Receiver had with Mr. Steffen, former employees, and others operating in the marketplace.
50. The Company previously explored the possibility of a sale and engaged a mergers and acquisition advisory firm in the outdoor recreation and active lifestyle space, Bell Lap Advisors, to assist them in this process in or around March 2024. On August 20, 2024, the Receiver obtained a list from Bell Lap Advisors of 23 parties that they had identified as potentially being interested in a purchase of G3.
51. On August 21, 2024, the Receiver sent a sales teaser (the "**Teaser**") to those 23 parties, as well as four other parties that had reached out directly to the Receiver. A copy of the Teaser is attached hereto as **Appendix "B"**.
52. On August 26, 2024, the Receiver posted a sales notice in the "Insolvency Insider" newsletter, a weekly publication sent to approximately 7,500 subscribers, including Licensed Insolvency Trustees, insolvency counsel, lenders, private equity groups, high net worth individuals, and other companies interested in insolvencies/distressed companies. Interested parties were encouraged to reach out requesting more information on G3. The Teaser was available on the Receiver's Website and listed the contact information for the Receiver, inviting those interested in learning more to contact the Receiver for additional information.
53. In total, including the parties who reached out upon seeing the advertisement in the Insolvency Insider, the Receiver directly contacted or was contacted by 60 firms or individuals. The Receiver provided those who reached out directly or who responded to the Teaser with a Sales Process Summary beginning on August 26, 2024. The Sale Process Summary outlined

the terms and conditions of the Sales Process and provided detailed inventory and equipment listings and encouraged interested parties to obtain more information by signing a non-disclosure agreement ("**NDA**"). The Sales Process Summary is attached hereto as **Appendix "C"**.

54. The Receiver established a data room (the "**Data Room**") for interested parties to review information pertaining to the Company and certain financial information. All interested parties were required by the Receiver to sign the NDA before being granted access to the Data Room.
55. A total of 19 parties executed NDAs and were added to the Data Room beginning on August 26, 2024.
56. Throughout the Sales Process the Receiver answered enquiries from multiple parties. This included instances where interested parties requested more detailed financial data, in which case the Receiver added the requested documents to the Data Room and sent notification to all other users that the information was added. The Receiver also offered viewing of the Premises to several parties. Two auction firms ultimately undertook site visits, as did one other interested party and the Purchaser.
57. The Receiver made it clear to interested parties, including through the provision of a template offer to purchase (the "**Template Offer**"), that the Receiver was only appointed over certain of the Company's assets, and was only exploring a sale of the Hard Assets. Parties interested in the IP Assets of the Company were provided with the contact details for representatives of FWC and invited to provide en-bloc offers for the Company by stating separate values for the Hard Assets and the IP Assets.
58. Pursuant to the Sales Process Summary, interested parties were invited to submit binding offers by 5:00pm Pacific Time on September 11, 2024 (the "**Offer Deadline**").
59. A summary of the offers received on the Offer Deadline (the "**Offer Summary**") is included in the First Confidential Report. The Receiver is of the view that the Offer Summary and the other information in the First Confidential Report should be filed with the Court on a confidential basis and sealed pending further order of the Court or closing of a sale or other transaction as the availability of such information to other parties may negatively impact any future sales process for the Company, the Hard Assets, or the IP Assets if a sales or other transaction does not close. In particular, any adverse influence on the value of any future offers in respect of the Company or its assets (should the solicitation of further offers prove necessary) would pose a serious risk to the interests of the Lenders. It could also potentially hinder the ability of the Receiver to satisfy its duty to maximize the value obtained for the Hard Assets. The Offer Summary contains sensitive information, including the identity of the bidders and the value of other bids received for the Hard Assets, that similarly could adversely impact the future marketability of the Hard Assets should that become necessary. The Receiver is not aware of any party that will be prejudiced if the information is sealed at this time. Accordingly, the Receiver believes the proposed Sealing Order is appropriate in the circumstances.
60. Of the offers received by the Offer Deadline, some were made for individual and specific pieces of inventory at liquidation prices. The Receiver was of the view that executing these individual offers would be to the detriment of a potential en-bloc offer and as such was only intending on pursuing them if an auction was to be undertaken. The Receiver did not formally reject these offers until after a final agreement was executed with the Purchaser.
61. The Receiver had been communicating with the party that submitted the highest value offer on an en-bloc basis by the Offer Deadline for several weeks following the Offer Deadline. However, that party was unable to demonstrate to the Receiver they possessed the financing necessary to complete their purchase. As such, the Receiver began making arrangements to undertake Court approval for an auction process.

62. In the weeks following the Offer Deadline, the Receiver continued to be contacted by various parties indicating an interest in purchasing some or all of the Company's assets. Two parties, both of whom the Receiver had communicated with during the Sales Process, ultimately submitted unsolicited en-bloc offers after the Offer Deadline.
63. The Receiver communicated regularly with the Lenders to discuss the offers received and negotiate agreeable terms prior to acceptance of any offer.
64. Further details on the Sales Process and the offers received, including the CSI Offer, are included in the First Confidential Report.

Proposed transaction

65. The Receiver has negotiated and signed the CSI Offer with the Purchaser and a redacted copy of the CSI Offer is attached hereto as **Appendix "D"**.
66. The key non-confidential terms of the CSI Offer are as follows:
- a. Assets included – the Hard Assets (except for cash, AR, insurance claims, ITR and SRED receivables) the IP Assets, and an assignment of the Lease or such other agreements as may be particularized by the Purchaser in advance of the closing date.
 - b. Purchase price and deposit – the purchase price and deposit amounts are confidential but the Purchaser has paid a deposit to the Receiver.
 - c. General terms – purchase of the assets by way of a vesting order on an 'as-is where-is' basis with no representations or warranties from the Receiver.
 - d. Conditions precedent:
 - i. Expansion of the Receivership Order to include the FWC Collateral in general and IP Assets specifically.
 - ii. Consent of the Landlord of the Premises to assign the Lease to the Purchaser, or an order issued by the Court granting such an assignment (the "**Lease Assignment**").
 - iii. An appropriate form of approval and vesting order shall have been agreed upon as between the parties and issued by the Court.
 - e. Closing date – the fifth business day following the day all conditions precedent are met and no later than November 30, 2024.
67. The Receiver's comments on the CSI Offer are as follows:
- a. Based on feedback the Receiver obtained from interested parties, a transaction that included both the Hard Assets as well as the IP Assets would maximize the realizations of both, as compared to a transaction for the Hard Assets only.
 - b. The timing and other terms in the CSI Offer are reasonable in the Receiver's experience, having regard to its involvement with transactions in other mandates.
 - c. The portion of the purchase price allocated to the Hard Assets in the CSI Offer is higher than the OLV and FLV amounts included in the Appraisal.
 - d. The Receiver did not complete an appraisal of the IP Assets, but FWC is agreeable to the portion of the purchase price allocated to the IP Assets in the CSI Offer. The IP Assets are very difficult to value.
68. The Sales Process has been reasonable in the circumstances and given the short time available prior to the start of the 2024-25 ski season. While the time between the release of the Teaser

and the Offer Deadline was only three weeks, this was required in order to maintain the value of the business as a whole and the inventory in particular, and several interested parties had been engaged over this time period. In addition, the Company previously explored the possibility of a sale in or about March 2024 and had engaged 23 parties at that time.

69. The Receiver continued to engage with several interested parties following the Offer Deadline in order to facilitate a transaction that maximized the value for the Lenders.
70. The inventory is also very specialized with limited buyers in the backcountry ski market (10% of the total skier population, by some estimates) and this limits the potential buyers.
71. RBC, as the primary secured creditor of the assets covered by the Receivership Order, is supportive of the CSI Offer and expansion of the Receiver's mandate and Receivership Order to include the FWC Collateral.
72. FWC is supportive of the Receivership Order being expanded to include the FWC Collateral and is supportive of the CSI Offer.

LEASE ASSIGNMENT

73. As outlined previously, the CSI Offer includes the Lease Assignment and the Purchaser has been in discussions with the Landlord to have the Lease assigned, subject to the closing of the Transaction. Copies of the original lease agreement for the Premises dated March 17, 2015 and the lease amendment agreement for the Premises dated January 27, 2020 are attached hereto as **Appendix "E"**.
74. As of the date of this First Report, there is no conditional agreement in place between the Purchaser and the Landlord and the Receiver may require a Lease Assignment order (the **"Lease Assignment Order"**) in order to close the Transaction.
75. The Receiver makes the following comments in regards to the Lease Assignment Order:
 - a. The Purchaser has been an established operator in the sporting goods industry in Canada since the 1908's and, based on the information available and conveyed to the Receiver from CSI, has the necessary resources to meet the terms and conditions of the Lease, including making all of the required payments up until the Lease expires on May 31, 2025.
 - b. The Receiver understands that CSI has provided all of the information requested from the Landlord and is making good progress on an assignment as of the date of this First Report.
 - c. The Purchaser requires access to the Premises on closing as the Hard Assets are stored therein and intends to use the Premises for the upcoming season.
 - d. The Lease is current and the Receiver will be paying all of the lease related costs up to the closing of the Transaction.
 - e. The Receiver is not aware of any reasons not to assign the rights and responsibilities of the Lease to the Purchaser.

CREDITORS AND SECURED CHARGES

CRA priority claims

76. The Receiver has accessed the Company's online accounts with CRA in relation to payroll source deductions (**"PSD"**) and GST. These accounts indicate that at present, no amounts are in arrears with CRA.

77. The Receiver notes that a final partial payroll period was run the day prior to the Date of Receivership. This pay run was processed by the Company's payroll service organization despite the Company's accounts being frozen. As a result, the payroll service organization withheld for their own payment PSD amounts owing to CRA. The Receiver expects approximately \$27,600 in PSD will be required to be remitted.

78. CRA has not yet conducted a PSD or GST audit on G3 and additional liabilities may be assessed.

Wage Claims

79. The Receiver notes that only one day of wages were owed to employees as of the Date of Receivership. This resulted in approximately \$22,700 in super-priority wage and vacation pay claims payable under WEPP that will rank in priority to the RBC Security. An additional amount of approximately \$167,000 in claims for unpaid vacation and termination pay have been filed by the former employees through the WEPP program but these amounts are unsecured and do not rank in priority to the RBC Security.

Receiver's charge and borrowings

80. Pursuant to paragraph 21 of the Receivership Order, the Receiver and Dentons, as its legal counsel, are the beneficiaries of the Receiver's charge (the "**Receiver's Charge**") to secure payment of their fees and disbursements incurred in the Receivership Proceedings. The Receiver's Charge is a first-ranking charge over the Property but subordinate to the charges, if any, created pursuant to Sections 14.06(7), 81.4(4), and 81.6(2) of the BIA.

81. Pursuant to paragraph 24 of the Receivership Order, the Receiver is authorized to borrow up to \$500,000 without further approval of the Court for the purpose of carrying out its duties and powers (the "**Borrowing Facility**"). As at the date of this First Report, the Receiver has not borrowed any amounts from the Borrowing Facility.

RBC indebtedness

82. As noted above, the RBC Debt totaled approximately \$2.4 million as at September 3, 2024. RBC has valid and enforceable security as reported in the Security Opinions and interest continues to accrue on the RBC Debt.

83. The RBC Security is subject to certain prior ranking Court-ordered charges and statutory interests, which include:

- a. The Receiver's Charge.
- b. The Receiver's Borrowing Charge (as that term is defined in the Receivership Order).
- c. Certain deemed trust and priority claims.

84. In the event that the Court approves the CSI Offer, the anticipated net realizations in the Receivership Proceedings are expected to be lower than the RBC Debt. Accordingly, RBC is expected to suffer a deficit in respect of its debt.

FWC indebtedness

85. As noted above, FWC Debt totaled approximately \$2.2 million as at September 3, 2024. FWC has valid and enforceable security as reported in the Security Opinions and interest continues to accrue on the FWC Debt.

86. As noted above, FWC's security interest has priority over the RBC Security in the FWC Collateral, which property is currently excluded from the scope of the Receivership Order. FWC is subordinate to RBC on all other assets of the Company.

87. The CSI Offer presented to the Court includes the FWC Collateral. If the Court approves expanding the Receivership Order to include the FWC Security and approves the Transaction, the net realizations in the Receivership Proceedings are expected to be lower than the FWC Debt, and FWC is expected to suffer a deficit in respect of its debt.

Unsecured creditors

88. Based on the available books and records of G3 and correspondence received from creditors, the Receiver estimates total unsecured creditor claims of approximately \$272,000 as of the Date of Receivership.
89. Given that the Lenders are expected to suffer a shortfall in respect of the RBC Debt and FWC Debt, the Receiver has not reviewed the claims of the unsecured creditors. The Receiver has, however, provided ad-hoc updates on the status of the Receivership Proceedings to certain unsecured creditors as and when it was contacted.
90. The Receiver accessed the Online Storefronts and refunded customers whose orders were unfulfilled by G3. The Receiver does not expect any individual customers of G3 to be unsecured creditors.

STATEMENT OF RECEIPTS AND DISBURSEMENTS

91. The Receiver's R&D reflects the administration of the Receivership Proceedings from the Date of Receivership to October 17, 2024 and is attached hereto as **Appendix "A"**.
92. As of October 17, 2024, the Receiver's gross receipts amounted to \$172,159, primarily relating to \$102,220 from an advance from RBC to cover the Receiver's fees and disbursements incurred to August 31, 2024, \$68,770 from AR collections, and \$1,170 from an insurance refund.
93. During the same period, the Receiver has made disbursements totaling approximately \$42,543, including, among other items, \$29,300 for occupation rent for September, \$1,800 for wages and payroll source deductions, \$1,400 for an appraisal, and \$4,000 for insurance, and taxes on those disbursements
94. The net cash balance held by the Receiver as at October 17, 2024 was approximately \$129,616.
95. The Receiver has invoiced approximately \$83,500 in fees (before taxes and costs) which cover the period from the Date of Receivership to September 30, 2024. As of the date of this First Report, no payments have been made in relation to the Receiver's fees.
96. Dentons has invoiced approximately \$2,554 in fees and costs (before taxes) which cover the period from the Date of Receivership to September 16, 2024. As of the date of this First Report, no payments have been made to Dentons.

PROPOSED DISTRIBUTION

97. Subject to Court approval and granting of a distribution order allowing the Receiver to make an interim distribution to RBC pursuant to the RBC Security, as confirmed by the Security Opinions (the "**Distribution Order**"), the Receiver will make an interim distribution to RBC after retaining a balance on hand to satisfy any potential priority claims that may be advanced and the remaining Receiver's and Dentons' fees and disbursements, pending further order of the Court.
98. Under the Distribution Order, the Receiver will make a one-time distribution to FWC in the amount allocated to the FWC Collateral in the CSI Offer and as agreed to by the Lenders.

CONCLUSIONS AND RECOMMENDATIONS

99. Based on the foregoing, the Receiver respectfully requests that the Court grant the Orders cited at paragraph 13(g) of this First Report.

All of which is respectfully submitted at Vancouver, BC this 4th day of November, 2024.

DELOITTE RESTRUCTURING INC.

In its Capacity as Court-appointed Receiver of
G3 Genuine Guide Gear Inc.
and not in its personal capacity.



Per: Jeff Keeble, CPA, CA, CIRP, LIT, CBV
Senior Vice-President

Appendix "A"

Receiver's Statement of Receipts and Disbursements for the period from August 9, 2024 to October 17, 2024

**In the Matter of the Receivership of
G3 Genuine Guide Gear Inc.**

**Receiver's Interim Statement of Receipts and Disbursements
For the Period of August 9, 2024 to October 17, 2024**

Description	
Receipts	
Accounts receivable realizations	\$ 68,770
Insurance refund	1,167
Receiver borrowings / advance from secured creditors	102,222
Total receipts	\$ 172,159
Disbursements	
Insurance	\$ 3,958
GST and HST paid	1,762
PST paid	171
Bank charges	17
Appraisal fees	1,400
Other misc. disbursements	857
Computer services	3,106
Utilities	13
Occupation rent	29,276
Wages	1,732
Advertising	250
	\$ 42,543
Excess of receipts over disbursements	\$ 129,616

Appendix "B"
Sales Process Teaser

Asset Sale Process August 2024

Deloitte Restructuring Inc. ("Deloitte"), in its capacity as Receiver (the "Receiver") of G3 Genuine Guide Gear Inc. ("G3"), is soliciting interest from parties interested in purchasing the assets described below (the "Property").

Summary

An opportunity exists to acquire certain assets (the "**Assets**") and/or potentially the business (the "**Business**") of G3 Genuine Guide Gear Inc ("G3"). For more details, please reach out to Kaleb Butt, Senior Associate, at kbutt@deloitte.ca.

On August 9, 2024, Deloitte Restructuring Inc. was appointed by the Supreme Court of British Columbia as the Receiver, without security, of certain assets of G3. The Receiver is conducting a sales process to sell certain assets and potentially the business. This overview is being provided to parties identified as potentially having an interest in the opportunity.

Business Overview

G3 Genuine Guide Gear ("G3") is a global leader in the ski and snowboard industry, with a particular focus on the backcountry category. Known for their pioneering product innovations and values-driven business approach, they have established a strong reputation among consumers and industry partners. Based in Vancouver, BC, the company has distribution partners in Canada, the US, and Asia.

Asset Details

Climbing Skins

Specializes in climbing skins with four performance fabrics in the growing ski & splitboard markets.

Backcountry Skis and Splitboards

Backcountry-specific skis and splitboards made up of 100% recyclable materials, based on a nylon, carbon fibre, polyurethane, steel, aluminum, and/or wood structure.

Backcountry Sport Accessories

Bindings, poles, shovels, and another items to provide a complete gear kit to customers.

Manufacturing Equipment

Purchasers of the business also have access to a variety of equipment used to develop these products, including industrial UV inkjet printers, heat presses, large-scale air compressors, and cutting tables.



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Appendix "C"

Sales Process Summary

G3 Genuine Guide Gear Inc. Sales Process Summary August 23, 2024

Dear Interested Party,

On August 9, 2024, Deloitte Restructuring Inc. was appointed by an Order of the Supreme Court of British Columbia (the "**Receivership Order**") as the Receiver (the "**Receiver**") without security, of certain assets of G3 Genuine Guide Gear Inc. ("**G3**" or the "**Company**"), including proceeds thereof. A copy of the Receivership Order is available at www.insolvencies.deloitte.ca/G3GenuineGuide

The Receiver is soliciting offers for certain of the assets it has been appointed over; specifically, finished, in-process, and raw material inventory of backcountry ski equipment and accessories, as listed in **Appendix "A"** [removed], as well as equipment and furniture as listed in **Appendix "B"** [removed], along with any leases, and hereafter described collectively as the "**Assets**" of G3.

The Receiver has not been appointed over the intellectual property of the Company, including all patents, industrial designs, copyrights, trademarks, trade names, trade secrets, computer software and options and rights to use any of the forgoing (the "**IP**"). Qualified Bidders (as hereinafter defined) interested in conducting an en-bloc sale will have the opportunity to enter into a separate agreement for the IP with First West Capital ("**FWC**").

The process (the "**Sale Process**") to be followed by the Receiver to sell the Assets is set out in this Sale Process summary.

The sale of the Assets will be on an "as is, where is" and "without recourse" basis and without representations or warranties of any kind, nature, or description whatsoever by the Receiver, G3, or any of their respective representatives, employees, and/or agents, except to the extent expressly set forth in the purchase agreement (the "**Purchase Agreement**") describing the purchase transaction executed and delivered by the Receiver and the Recommended Bidder (as hereinafter defined). All the right, title, and interest of G3 in and to the Assets will be sold free and clear of all pledges, liens, security interests, encumbrances, claims, charges, options, and interests therein (collectively, the "**Claims and Interests**") except to the extent set forth in the Purchase Agreement. The Purchase Agreement and the obligations of the parties thereto shall be subject to approval by the Court ("**Court Approval**") in the form of Order, as may be satisfactory to the Receiver, approving the Purchase Agreement and the transactions contemplated therein, vesting title to the Assets to the Recommended Bidder, and authorizing the taking of such action as may be required to give effect to the Purchase Agreement.

The Receiver will consider bids for the purchase of the Assets by means of (i) an "asset purchase", (ii) an auction proposal, and (iii) an alternative structure as may be described in the offer of the Qualified Bidder (as hereinafter defined). Bids for the IP will be directed to FWC by the Receiver.

To accommodate the Sale Process, the Receiver and G3 have populated a data room (the "**Data Room**") with documents and information that may be relevant to a prospective purchaser. The Receiver and G3 make no representation or warranty of any kind, nature, or description whatsoever in connection in any way with the Data Room documents and information, or documents and information provided through the due diligence process, or otherwise made available in the course of the Sale Process, except to the extent expressly contemplated in the Purchase Agreement, and may amend, add to, substitute for, or delete any such information.

The Receiver shall consult with the secured lenders to G3 (Royal Bank of Canada ("**RBC**") and FWC, collectively, the "**Lenders**") as it sees fit in connection with the conduct of this Sale Process, Qualified Offers (as hereinafter defined) and the terms thereof, and the negotiation, rejection or acceptance thereof.

1. Bid solicitation process

- a) Potential interested parties as identified by the Receiver or who contacted the Receiver directly have been provided with a teaser document.
- b) Interested Parties who wish to commence due diligence shall be required to execute and deliver a confidentiality agreement ("**CA**") substantially in the form provided by the Receiver.
- c) Following receipt of an executed CA, the Receiver, exercising reasonable judgment, will assess whether such party submitting the CA is a credible potential bidder with the ability to conclude a transaction. The Receiver may require any interested party to provide reasonable and appropriate information to assist and inform the Receiver in the making of such assessment. The Receiver shall promptly advise such a party of a determination that such a party is not a Qualified Bidder. In the event such party is determined to be a credible potential bidder, such party shall: (a) be deemed to be a qualified bidder (a "**Qualified Bidder**"), (b) be provided access to the Data Room to commence due diligence, and (c) be able to arrange to tour the Assets and conduct further due diligence by means of a site visit as may reasonably be requested. The Receiver may, at its sole discretion, arrange to provide additional documents and information respecting G3 and the Assets as may reasonably be requested by a Qualified Bidder.
- d) The Receiver shall manage all communications with prospective purchasers and Qualified Bidders and negotiate the Purchase Agreement and related documents. All requests for additional information are to be made to the Receiver.

2. Offer deadline and qualified offers

- a) Qualified Offers (as hereinafter defined) shall be submitted to the Receiver on or before 5:00pm Pacific Daylight Time on **September 11, 2024** (the "**Offer Deadline**").
- b) The Receiver shall not be required to accept the highest, best, or any Qualified Offer.
- c) If no Qualified Offer is received prior to the Offer Deadline or no Qualified Offer is acceptable to the Receiver, then the Receiver, in consultation with the Lenders, shall have the option to terminate the Sale Process.
- d) An offer submitted will be considered a qualified offer (a "**Qualified Offer**") only if it is submitted by a Qualified Bidder and complies with all of the following:
 - a. It includes a marked-up form of the Purchase Agreement provided by the Receiver in the Data Room or an auction proposal as provided by an auctioneer firm;
 - b. A letter summarizing the following:
 - i. The principal terms of the proposed transaction, including, the purchase price (the "**Purchase Price**") and, to the extent the Qualified Offer includes any or all of the IP, an allocation of the Purchase Price as between the Assets and IP included in the Qualified Offer; and
 - ii. Stating that the Qualified Offer is irrevocable until either the Court approves a bid pursuant to this Sale Process, or, if such a Qualified Offer is selected as the

winning bid, until the closing of a transaction.

- c. To the extent the Qualified Bidder is relying on third party financing, it includes confirmation by the Qualified Bidder that it has a firm, irrevocable commitment for all required funding and/or financing to consummate the transaction;
 - d. It is not conditioned on (i) the outcome of unperformed due diligence by the Qualified Bidder other than minor due diligence or legal due diligence agreeable to the Receiver in the Receiver's discretion and/or (ii) obtaining any financing or capital;
 - e. It fully discloses the identity of each person or entity that will be sponsoring or participating in the bid and the complete terms of any such participation;
 - f. It identifies which additional executory contracts the Qualified Bidder wishes to assume;
 - g. It identifies with particularity any IP, executory contract, license, and/or permit, the assumption and assignment of which is a condition to closing;
 - h. It includes an acknowledgement and representation that the Qualified Bidder (a) has relied solely on its own independent review, investigation, and/or inspection of any documents and/or the assets to be acquired and liabilities to be assumed in making its bid, (b) did not rely upon any written or oral statements, representations, promises, warranties, or guaranties whatsoever, whether express or implied (by operation of law or otherwise), regarding the assets to be acquired or liabilities to be assumed or the completeness of any information provided in connection therewith, except as expressly stated in the Purchase Agreement, and (c) is a sophisticated party capable of making its own assessments in respect of making its bid;
 - i. It contains other information reasonably requested by the Receiver; and
 - j. It is received by the Offer Deadline and is capable of acceptance.
- e) The Receiver, in consultation with the Lenders, may waive compliance with any one or more of the requirements specified herein and deem such non-compliant bids to be Qualified Offers. For the avoidance of doubt, the completion of any transaction for the purchase and sale of the Assets shall be subject to Court Approval including the making of requisite vesting and other orders, and the requirement for Court Approval may not be waived.
- f) The Receiver shall have no obligation to provide any Qualified Bidder with an opportunity to revise its offer once submitted.

3. Negotiation process and offer acceptance

- a) Subject to its discretion, the Receiver may seek clarifications with respect to any and all Qualified Offers and negotiate the Purchase Price and terms otherwise of Qualified Offers, provided that affected Qualified Bidders shall be made aware of the timing and circumstances in which their respective Qualified Offers are considered finalized and no longer subject of negotiation.
- b) The Receiver may accept a Qualified Offer (as may be further negotiated in accordance with Section 3(a) hereof) (the "**Accepted Offer**") for the purchase of the Assets and, if so, shall promptly (i) notify the affected Qualified Bidder (the "**Recommended Bidder**") of the acceptance of its Qualified Offer and (ii) notify other Qualified Bidders that their respective

offers have not been accepted.

- c) The Recommended Bidder and the Receiver shall negotiate and execute the Purchase Agreement on or before **September 18, 2024** and close a transaction no later than **October 7, 2024**, unless otherwise agreed to by the parties.
- d) The Recommended Bidder shall, in conjunction with executing the Purchase Agreement provide to the Receiver a deposit (the "**Deposit**") in the form of a wire transfer (to a bank account specified by the Receiver) or such other form acceptable by the Receiver payable to the order of the Receiver in trust in an amount equal to twenty percent (20%) of the Purchase Price which will be held in accordance with the terms of the Purchase Agreement.
- e) In the event that (i) the Accepted Offer and Purchase Agreement do not receive Court Approval, or (ii) the transaction contemplated by the Purchase Agreement is not closed by the Recommended Bidder on or before October 31, 2024, the Receiver shall be at liberty to terminate the Purchase Agreement and arrange for the sale of the Assets to another party as the Receiver sees fit.

4. Other

- a) This Sale Process (including as it relates to any time limits) may be amended or modified by the Receiver, with the approval of the Lenders, as may be necessary to achieve the objective of selling the Assets. The Receiver may terminate discussions with any or all parties (including, without limitation, Qualified Bidders) at any time, without obligation to any such parties.
- b) The Receiver may terminate this Sale Process at any time it considers appropriate prior to the acceptance of a Qualified Offer.
- c) Neither the Receiver or G3 shall be liable for any claim for a brokerage commission, finder's fee, or like payment in respect of the consummation of any transaction(s) pursuant to this Sale Process, Court Approval, or the Purchase Agreement.
- d) Parties shall be responsible for their own costs and expenses in connection with participating in this Sale Process.
- e) This Sale Process does not, and will not be interpreted to, create any contractual or legal relationship between the Receiver and any Qualified Bidder or other party, other than as specifically set forth in a fully executed Purchase Agreement. At any time during this Sale Process, the Receiver may apply to the Court for advice and directions with respect to the discharge of its powers and duties hereunder and under the Receivership Order.

DISCLAIMER

Any Qualified Offer accepted by the Receiver shall be accepted (and a transaction in relation thereto completed and closed) on the basis that no representation, warranty, inducement or condition has been expressed, given or made, or can be implied as to title, size, description, fitness for purpose or intended use, quantity, number, condition, or quality of the Assets or any part thereof or in respect of any other matter or thing whatsoever, and the Recommended Bidder shall be deemed to have relied entirely upon its own due diligence, inspection, and investigation of the Assets and G3 to satisfy itself as to all matters related to the Qualified Offer, Accepted Offer, the Purchase Agreement, Court Approval, and the closing and completion of the transaction(s) contemplated thereby.

Appendix "D"

Asset Purchase Agreement with CSI dated November 1, 2024 (redacted)

ASSET PURCHASE AGREEMENT

THIS AGREEMENT made the 1st day of November, 2024,

AMONG:

DELOITTE RESTRUCTURING INC., in its capacity as receiver of the assets, property and undertakings of G3 Genuine Guide Gear Inc., and not in its personal capacity

(hereinafter referred to as the "**Vendor**"),

- and -

CANADAWIDE SPORTS INC., a corporation incorporated under the laws of Ontario

(hereinafter referred to as the "**Purchaser**")

WHEREAS:

- (1) G3 Genuine Guide Gear Inc. (the "**Debtor**") is a corporation incorporated pursuant to the laws of the Province of British Columbia;
- (2) Deloitte Restructuring Inc. has been appointed as Receiver of certain assets, properties, and undertakings (collectively, the "**Limited Property**") of the Debtor by Court Order dated August 9, 2024 (the "**Appointment Order**");
- (3) The Purchaser seeks to purchase from the Receiver, all of the Receiver and Debtor's rights title and interest in and to all assets, property, interests and undertakings of the Debtor, including in and to any property, interests or undertakings of the Debtor as are not presently within the scope of the Receiver's Appointment pursuant to the terms of the Appointment Order (all such property, rights and interests, inclusive of but not limited to the Limited Property, being the "**Property**"); and
- (4) Subject to the foregoing and the terms herein, the Vendor desires to sell all or substantially all of the Property of the Debtor and the Purchaser has agreed to purchase such assets subject to the terms and conditions set forth in this Agreement.

THIS AGREEMENT WITNESSES THAT in consideration of the respective covenants, agreements, representations, warranties and indemnities of the parties herein contained and for other good and valuable consideration (the receipt and sufficiency of which are acknowledged by each party), the parties agree as follows:

1. INTERPRETATION

- 1.1 Defined Terms.** For the purposes of this Agreement, the following terms shall have the respective meanings set out below and grammatical variations of such terms shall have corresponding meanings:

- (a) **“Accounts Receivable”** means, on any date, all accounts receivable and tax refunds (including HST refunds) generated in the operation of the Debtor’s business, together with any unpaid interest or fees accrued thereon which are outstanding on such date and the full benefit of all security or collateral for such amounts, including recoverable advances and deposits, and any proceeds of claims made by the Debtor against third parties;
- (b) **“Affiliate”** has the meaning given to the term “affiliate” in the *Canada Business Corporations Act*;
- (c) **“Agreement”** means this asset purchase agreement, as amended from time to time in accordance with the terms hereof;
- (d) **“Applicable Law”** means, in respect of any Person, property, transaction or event, any domestic or foreign statute, law (including the common law), ordinance, rule, regulation, treaty, restriction, regulatory policy, standard, code or guideline, by-law or order, in each case, having the force of law, that applies in whole or in part to such Person, property, transaction or event;
- (e) **“Approval and Vesting Order”** means an order by the Court substantially in the form attached as Schedule “D”, expanding the appointment of the Receiver to include, together with the Limited Property, all Property which is not Limited Property, authorizing the Transaction and vesting in the Purchaser (or as the Purchaser may direct) all the right, title and interest of the Debtor in and to the Purchased Assets free and clear of all Encumbrances (other than Permitted Encumbrances);
- (f) **“Assignment Order”** means an order or orders of the Court, in form and substance satisfactory to the Purchaser, acting reasonably, authorizing and approving (i) the assignment of any Consent Required Contract for which a consent, approval or waiver necessary for the assignment of such Consent Required Contract has not been obtained, (ii) the prevention of any counterparty to such Consent Required Contracts from exercising any right or remedy under such Consent Required Contracts by reason of any defaults arising from the Receivership Proceedings or the insolvency of the Debtor and (iii) the vesting in the Purchaser (or as it may direct) of all right, title and interest of the Vendor and the Debtor in such Consent Required Contracts;
- (g) **“Assumed Contracts”** means the Contracts set out at Schedule A;
- (h) **“Assumed Liabilities”** has the meaning set out in Section 2.4, but for greater certainty does not include the Excluded Liabilities;
- (i) **“BIA”** means the *Bankruptcy and Insolvency Act* (Canada);
- (j) **“Books and Records”** means all files, documents, instruments, papers, books and records (whether stored or maintained in hard copy, digital or electronic format or otherwise), including tax and accounting books and records, used or intended for use by, and in the possession of the Vendor, in connection with the ownership, or operation of the Purchased Assets, including the Contracts, customer lists, customer information and account records, sales records,

computer files, data processing records, employment and personnel records, sales literature, advertising and marketing data and records, credit records, records relating to suppliers and other data, in each case, relating to the Purchased Assets, and, for greater certainty, excluding the minute books and corporate records of the Vendor;

- (k) **“Business Day”** means any day which is not a Saturday, a Sunday or a statutory holiday in British Columbia or Ontario;
- (l) **“Cash Portion of the Purchase Price”** means the Purchase Price, less the amount of the Deposit funds;
- (m) **“Claims”** means any claim of any nature or kind (including any cross-claim or counterclaim), demand, investigation, chose in or cause of action, suit, default, assessment, litigation, third party action, arbitral proceeding or proceeding by or before any Person;
- (n) **“Closing”** means the successful completion of the Transaction;
- (o) **“Closing Date”** means the fifth (5th) business day following the day that all of the conditions set out in Section 7.5 hereof are satisfied provided that such date shall not be later than the Outside Date, unless otherwise agreed by the parties hereto. Notwithstanding the foregoing, the Closing Date may also be such earlier or later date as may be mutually agreed upon by the parties hereto;
- (p) **“Closing Documents”** means all instruments of conveyance and other documentation and assurances relating to the purchase and sale of the Purchased Assets contemplated to be delivered on or prior to the Closing Time pursuant to the terms hereof;
- (q) **“Closing Time”** means 2:00 p.m. (Toronto time) on the Closing Date;
- (r) **“Consent Required Contract”** has the meaning set out in Section 2.2;
- (s) **“Contract”** means any written agreement, indenture, contract, lease, deed of trust, licence, option, instrument or other commitment, whether written or oral, to which the Debtor is a party constituting part of the Purchased Assets identified in writing by the Purchaser on or before Closing, including, for greater certainty, all Contracts listed in Schedule “A” to this Agreement, as may be amended from time to time;
- (t) **“Court”** means the Supreme Court of British Columbia;
- (u) **“Cure Costs”** means all amounts required to be paid pursuant to the Assignment Order to effectuate the assignment by the Vendor and assumption by the Purchaser of Consent Required Contracts under the Assignment Order.
- (v) **“Debtor”** has the meaning set out in the recitals hereto;

- (w) **“Deposit”** shall have the meaning assigned to it under Section 3.2 and shall be interpreted as including any interest which has accrued thereon while being held in trust by the Receiver, in accordance with the terms herein;
- (x) **“Employee Plans”** means each retirement, pension, bonus, stock purchase, profit sharing, stock option, deferred compensation, severance or termination pay, insurance, medical, hospital, dental, vision care, drug, sick leave, disability, salary continuation, legal benefits, unemployment benefits, vacation, incentive or other compensation plan or arrangement or other employee benefit which is maintained, or otherwise contributed to or required to be contributed to, by the Debtor for the benefit of employees or former employees of the Debtor, whether oral or written;
- (y) **“Employees”** means all individuals who are employed by, or serve as independent contractors to, the Debtor, whether on a full- time or a part-time basis, whether active or inactive as of the Closing Date, and includes all employees on short term or long-term disability leave;
- (z) **“Employment Legislation”** means, collectively, the *Labour Relations Act, 1995* (Ontario), the *Ontario Human Rights Code*, the *Occupational Health and Safety Act* (Ontario), the *Pay Equity Act* (Ontario), the *Employment Standards Act, 2001* (Ontario), the *Pension Benefits Act* (Ontario), the *Workers' Compensation Act* (Ontario) and the *Employment Insurance Act* (Canada), and any similar legislation in any other jurisdiction in which the Purchased Business is conducted;
- (aa) **“Encumbrance”** means any encumbrance, lien, charge, hypothec, pledge, mortgage, title retention agreement, security interest of any nature, adverse claim, exception, reservation, easement, restriction, right of occupation, any matter capable of registration against title, option, right of pre-emption, privilege or any Contract to create any of the foregoing, or any right of a third party of any nature or kind whatsoever whether by law, contract or otherwise capable of becoming any of the foregoing (including any conditional sale or title retention agreement, or any capital or financing lease);
- (bb) **“ETA” or “Sales Tax Legislation”** means Part IX of the *Excise Tax Act* (Canada) together with the regulations made thereunder, as amended from time to time as well as any similar provincial legislation;
- (cc) **“Excluded Assets”** has the meaning set out in Schedule B;
- (dd) **“Excluded Contracts”** means those Contracts which are not listed on Schedule “A”;
- (ee) **“Excluded Equipment”** means any equipment or machinery and any parts and components thereof, that are Excluded Assets.
- (ff) **“Excluded Liabilities”** has the meaning set out in Section 2.5;
- (gg) **“Governmental Authority”** means any domestic or foreign government, whether federal, provincial, state, territorial or municipal; and any

governmental agency, ministry, department, court (including the Court), tribunal, commission, stock exchange, bureau, board or other instrumentality exercising or purporting to exercise legislative, judicial, regulatory or administrative functions of, or pertaining to, government or securities market regulation;

- (hh) **“GST”, “HST” or “Sales Taxes”** means all taxes payable under the ETA or under any provincial legislation similar to the ETA, and any reference to a specific provision of the ETA or any such provincial legislation shall refer to any successor provision thereto of like or similar effect;
- (ii) **“Income Tax Act”** means the *Income Tax Act* (Canada);
- (jj) **“Intellectual Property”** means any or all of the following items, wherever located: all patents and patent rights, trademarks and trademark rights, trade names and trade name rights, service marks and service mark rights, service names and service name rights, copyrights and copyright rights, brand names, trade dress, business and product names, domain names, corporate names, logos, slogans, trade secrets, inventions, processes, recipes, formulae, industrial models, designs, specifications, data, technology, methodologies, computer programs (including all source code), confidential and proprietary information, whether or not subject to statutory registration, all related technical information, manufacturing, engineering and technical drawings, know how, all pending applications for and registrations of patents, trademarks, service marks and copyrights, including all obligations of third parties relating to the protection of the foregoing, the goodwill associated with the foregoing, and the right to sue for past payment, if any, in connection with any of the foregoing, and all documents, disks and other media on which any of the foregoing is stored, including without limitation any specific intellectual property enumerated in Schedule “A” hereto, together with all of the Debtor’s and Vendor’s right, title and interest in and to the same;;
- (kk) **“Landlord”** means the Hallmark Holdings Ltd., and includes any other Person whose consent is required for the assignment of the Debtor’s interest in the Lease to the Purchaser;
- (ll) **“Lease”** means the Lease Agreement dated March 17, 2015, among the Landlord and the Debtor, as amended by a Lease Amending Agreement made as of January 27, 2020
- (mm) **“Login Credentials”** means the login credentials for any software or programs that form part of the Purchased Assets;
- (nn) **“Non-Assignable Interests”** means any Purchased Assets which, by their nature cannot be legally or practically sold and assigned by the Vendor to the Purchaser hereunder, including without limitation any Consent Required Contracts for which an Assignment Order or counterparty consent has not been obtained;
- (oo) **“Ordinary Course of Business”** means the ordinary course of business of the Debtor with respect to the Purchased Assets consistent with the conduct of

such business on the date hereof and consistent with the Orders of the Court in the Receivership Proceedings;

- (pp) **“Outside Date”** means November 30, 2024 or such later date as the Parties may agree from time to time;
- (qq) **“Party”** means the Purchaser or the Vendor, and collectively, the **“Parties”**;
- (rr) **“Permitted Encumbrances”** means those Encumbrances set forth in Schedule “C”, and such additional Encumbrances as may be added to such Schedule “C” by the Purchaser at any time prior to the Closing Date;
- (ss) **“Person”** means any individual, partnership, limited partnership, limited liability company, joint venture, syndicate, sole proprietorship, company or corporation with or without share capital, unincorporated association, trust, trustee, executor, administrator or other legal personal representative, Governmental Authority or other entity however designated or constituted;
- (tt) **“Proceedings”** has the meaning set out in Section 2.5(f);
- (uu) **“Property”** means all assets, properties, rights, interests and undertakings of the Debtor;
- (vv) **“Purchase Price”** means [REDACTED], plus any applicable Transfer Taxes;
- (ww) **“Purchased Assets”** means all of the Receiver’s right, title and interest, in and to the assets and other property used in the business of the Debtor as set forth in Schedule “A”, but excluding the Excluded Assets.
- (xx) **“Purchaser”** has the meaning set out in the recitals hereto;
- (yy) **“Receiver”** means Deloitte Restructuring Inc, in its capacity as Receiver of the Property of the Debtor, and not in its personal capacity;
- (zz) **“Receiver’s Certificate”** means the certificate of the Receiver contemplated by the Approval and Vesting Order certifying that the Receiver has received written confirmation in form and substance satisfactory to the Receiver from the Parties that all conditions of Closing have been satisfied or waived by the applicable Parties, that the Receiver has received the Cash Portion of the Purchase Price and that the Transaction has been completed to the satisfaction of the Receiver;
- (aaa) **“Receivership Proceedings”** means Supreme Court of British Columbia Action No. S245340 and any related proceedings to which the Debtor is currently subject;
- (bbb) **“Representative”** means, in respect of a Party, each director, officer, employee, agent, Affiliate, manager, lender, solicitor, accountant, professional advisor, consultant, contractor and other representative of such Party or such Party’s Affiliates;

(ccc) **“Transaction”** means the transaction of purchase and sale contemplated by this Agreement;

(ddd) **“Transfer Taxes”** means all present and future transfer taxes, sales taxes, use taxes, production taxes, value-added taxes, goods and services taxes, land transfer taxes, registration and recording fees, and any other similar or like taxes and charges imposed by a Governmental Authority in connection with the sale, transfer or registration of the transfer of the Purchased Assets, including Sales Taxes but excluding any taxes imposed or payable under the *Income Tax Act* and any other applicable income tax legislation; and

(eee) **“Vendor”** has the meaning set out in the recitals hereto.

- 1.2 Currency.** Unless otherwise indicated, all dollar amounts in this Agreement are expressed in Canadian funds.
- 1.3 Statutes.** Except as otherwise provided in this Agreement, any reference in this Agreement to a statute refers to such statute and all rules, regulations and interpretations made under it, as it or they may have been or may from time to time be modified, amended or re-enacted.
- 1.4 General Construction.** The language used in this Agreement is the language chosen by the Parties to express their mutual intent, and no rule of strict construction shall be applied against any Party.
- 1.5 Extended Meanings.** Words importing the singular include the plural and vice versa and words importing gender include all genders. The term “including” means “including, without limitation,” and such terms as “includes” have similar meanings.
- 1.6 Sections and Headings.** The division of this Agreement into Articles and Sections and the insertion of headings and a table of contents are for convenience of reference only and shall not affect the interpretation of this Agreement. Unless otherwise indicated, any reference in this Agreement to an Article, Section or Schedule refers to the specified Article or Section of or Schedule to this Agreement.
- 1.7 Number, Gender and Persons.** In this Agreement, words importing the singular number only shall include the plural and *vice versa*, words importing gender shall include all genders and words importing persons shall include individuals, corporations, partnerships, associations, trusts, unincorporated organizations, governmental bodies and other legal or business entities of any kind whatsoever.
- 1.8 Accounting Principles.** Any reference in this Agreement to generally accepted accounting principles refers to generally accepted accounting principles which have been established in Canada for private enterprises, including those approved at the applicable time by the Chartered Professional Accountants of Canada or any successor body thereto.
- 1.9 Entire Agreement.** This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior agreements, understandings, negotiations and discussions, whether written or oral. There are no conditions, covenants, agreements, representations, warranties or other provisions, express or implied, collateral, statutory or otherwise, relating to the subject matter hereof except as herein provided.

- 1.10 Paramountcy.** In the event of any conflict or inconsistency between the provisions of this Agreement, and any other agreement, document or instrument executed or delivered in connection with this Transaction or this Agreement, the provisions of this Agreement shall prevail to the extent of such conflict or inconsistency.
- 1.11 Time of Essence.** Time shall be of the essence of this Agreement.
- 1.12 Applicable Law.** This Agreement shall be construed, interpreted and enforced in accordance with, and the respective rights and obligations of the parties shall be governed by, the laws of the Province of British Columbia and the federal laws of Canada applicable therein, and each of the parties hereto hereby irrevocably attorns to the non-exclusive jurisdiction of the courts of the Province of British Columbia.
- 1.13 Severability.** If any provision of this Agreement is determined by a court of competent jurisdiction to be invalid, illegal or unenforceable in any respect, such determination shall not impair or affect the validity, legality or enforceability of the remaining provisions hereof, and each provision is hereby declared to be separate, severable and distinct.
- 1.14 Best Efforts.** The parties acknowledge and agree that, for all purposes of this Agreement, an obligation on the part of any party to use its best efforts to obtain any waiver, consent, approval, permit, licence or other document shall not require such party to make any payment to any person for the purpose of procuring the same, other than payments for amounts due and payable to such person under the terms of any agreement as it stood prior to the date of this Agreement, payments for de minimis incidental expenses incurred by such person and payments required by any applicable law or regulation.
- 1.15 Schedules.** The following Schedules are attached to and form part of this Agreement:
- | | | |
|------------|---|------------------------------------|
| Schedule A | - | Purchased Assets |
| Schedule B | - | Excluded Assets |
| Schedule C | - | Permitted Encumbrances |
| Schedule D | - | Form of Approval and Vesting Order |
| Schedule E | - | Purchase Price Allocation |

2. PURCHASE AND SALE OF PURCHASED ASSETS

- 2.1 Purchased Assets.** Subject to the provisions of this Agreement, the Vendor agrees to sell, assign and transfer to the Purchaser and the Purchaser agrees to purchase from the Vendor, effective as of the Closing Time, the Purchased Assets free and clear of all Encumbrances (other than Permitted Encumbrances) pursuant to the Approval and Vesting Order.
- 2.2 Assignment of Contracts.** In the event that there are any Contracts which are not assignable in whole or in part without the consent, approval or waiver of another party or parties to them (each a “**Consent Required Contract**”) and such consents, approvals or waivers have not yet been obtained as of the Closing Date, then:

- (a) nothing in this Agreement will be construed as an assignment of any such Contract;
- (b) until the Approval and Vesting Order is granted, the Vendor shall use its best efforts to obtain any such consent, approval or waiver and the Purchaser shall provide its reasonable cooperation to assist the Vendor in obtaining any such consent, approval or waiver;
- (c) if any consent, approval or waiver is not obtained for any Consent Required Contract prior to the service of the motion for the Approval and Vesting Order, the Purchaser may request that the Vendor bring a motion to the Court for issuance of an Assignment Order with respect to such Consent Required Contracts together with the motion for the Approval and Vesting Order; and
- (d) if the consent, approval or waiver to the assignment of a Consent Required Contract is obtained, or the assignment of such Contract has been ordered by the Court, such Consent Required Contract shall be deemed to be assigned to the Purchaser on Closing.

With respect to each Consent Required Contract, subject to Closing and to either (i) the consent of the other parties thereto to the assignment thereof, or (ii) in the absence of such consent, the obtaining of an Assignment Order, in addition to its other obligations under this Agreement, the Purchaser shall pay the applicable Cure Costs related to such Consent Required Contract on Closing.

2.3 “As is, Where is”. The Purchaser acknowledges that the Vendor is selling the Purchased Assets on an “as is, where is” basis as they shall exist as at the Closing Time. The Purchaser further acknowledges that it has entered into this Agreement on the basis that the Vendor does not guarantee title to the Purchased Assets. No representation, warranty or condition is expressed or can be implied as to title, Encumbrances, description, fitness for purpose, merchantability, condition, quantity or quality or in respect of any other matter or thing whatsoever concerning the Purchased Assets or the right of the Vendor to sell or assign same save and except as expressly represented or warranted herein. The description of the Purchased Assets contained in the Schedules is for purpose of identification only. Except as otherwise provided in Article 4, no representation, warranty or condition has or will be given by the Vendor concerning completeness or accuracy of such descriptions.

2.4 Assumed Liabilities. The Purchaser shall assume and perform, discharge and pay when due the following obligations and liabilities of the Vendor (the “**Assumed Liabilities**”) after the Closing:

- (a) all debts, liabilities and obligations under the Contracts (to the extent assigned or transferred to the Purchaser on Closing) for the period from and after the Closing Time;
- (b) the obligations and liabilities of the Vendor pursuant to the licences, permits, approvals, consents, registrations, certificates and other authorizations forming part of the Purchased Assets;
- (c) the obligation and liability of the Vendor or the Debtor to pay Cure Costs in respect of any Contract; and

- (d) all debts, liabilities and obligations arising from ownership and use of the Purchased Assets for the period from and after the Closing Time.

2.5 Excluded Liabilities. Other than the Assumed Liabilities, the Purchaser shall not assume and shall not be liable, directly or indirectly, or otherwise responsible for any debts, liabilities or other obligations of the Debtor, including, without limiting the generality of the foregoing:

- (a) all debts, liabilities, obligations or Claims related to any Employee Plans, Employees (including pursuant to Employment Legislation) or any Excluded Asset, including all obligations and liabilities owing by the Vendor or the Debtor pursuant to any Excluded Contract;
- (b) all debts, liabilities and obligations related to any Purchased Asset arising out of or related to the period prior to the Closing Time;
- (c) all obligations of the Vendor and the Debtor relating to Encumbrances on the Purchased Assets existing prior to the Closing Time, other than Permitted Encumbrances;
- (d) Claims in respect of any breach of any Contract to which the Debtor is a party or by which it may be bound occurring prior to the Closing Time;
- (e) all obligations and liabilities owing by the Debtor to any Affiliate;
- (f) all past, present or future obligations and liabilities of the Vendor under any court, administrative, regulatory or similar proceeding (whether civil, quasi-criminal or criminal), arbitration or other dispute resolution procedure, investigation or inquiry by any governmental administrative, regulatory or similar body, or any similar matter or proceeding (collectively, "**Proceedings**");
- (g) all debts, liabilities and obligations for or related to any obligation for any taxes, including Sales Taxes, that are not expressly assumed by the Purchaser;
- (h) all taxes imposed on or relating to the Purchased Assets that are attributable to any pre-Closing tax period whether or not any such period ends on or before the Closing Date (other than any Transfer Taxes); and
- (i) all debts, liabilities and obligations of the Vendor arising under this Agreement,

with the foregoing being collectively referred to as the "**Excluded Liabilities**".

3. PURCHASE PRICE

3.1 Purchase Price. The aggregate purchase price (the "**Purchase Price**"), payable by the Purchaser to the Vendor for the Purchased Assets is:

- (a) the sum of [REDACTED]; plus
- (b) any applicable Transfer Taxes; and

- (c) assumption of the Assumed Liabilities.

3.2 Deposit

Concurrent with the Receiver's acceptance of the Purchaser's offer and this Agreement, the Purchaser shall pay to the Receiver's Solicitors, in trust, a deposit of [REDACTED] dollars ([REDACTED]), by wire (the "**Deposit**"), which Deposit shall be held by the Receiver in trust in accordance with the provisions of this Agreement pending completion or other termination of this Agreement and shall be applied against and towards the Purchase Price due on completion of the Transaction on the Closing Date.

In holding and dealing with the Deposit, the Receiver is not bound in any way by any agreement other than this Offer to Purchase, if and as accepted by the Receiver. The Receiver shall not be considered to have assumed any duty, liability or responsibility other than to hold the Deposit in accordance with the provisions hereof and to pay the Deposit (or any accrued interest thereon) to either the Receiver or the Purchaser in accordance with the terms hereof or any order of the Court. In the event of a dispute between the Parties as to the legal entitlement to the Deposit, the Receiver may, in its discretion, pay the Deposit into Court, whereupon the Receiver shall have no further obligations relating to the Deposit. The Receiver shall not, under any circumstances, be required to verify or determine the validity of any notice or other document whatsoever delivered to the Receiver and the Receiver is hereby relieved of any liability or responsibility for any loss or damage which may arise as the result of the acceptance by the Receiver of any such notice or other document in good faith.

3.3 Satisfaction of Purchase Price. Provided that all conditions precedent to Closing have been satisfied or waived in accordance with Article 7, the Purchase Price shall be paid and satisfied on Closing as follows:

- (a) The Deposit shall be released from trust, together with any accrued interest thereon, and applied to the Purchase Price;
- (b) As to the Cash Portion of the Purchase Price, by wire transfer in immediately available funds paid to the Receiver or as the Receiver may direct in writing; and
- (c) as to the dollar value of the Assumed Liabilities, by the assumption by the Purchaser of the Assumed Liabilities.

3.4 Allocation of the Purchase Price

Shall be in accordance with Schedule "E" hereto.

3.5 Transfer Taxes.

- (a) The Parties agree that:
 - (i) the Purchase Price is exclusive of all Transfer Taxes and the Purchaser shall be liable for and shall pay any and all applicable Transfer Taxes pertaining to the Purchaser's acquisition of the Purchased Assets;

- (ii) subject to Section 3.5(a)(iii), the Purchaser shall pay any applicable Transfer Taxes on the Purchaser's acquisition of the Purchased Assets in addition to the Purchase Price, either to the Receiver (as Vendor) or directly to the appropriate governmental Authority, as required by Applicable Law;
- (iii) if applicable, the Vendor and the Purchaser shall jointly elect that no Sales Taxes are payable pursuant to the Sales Tax Legislation with respect to the purchase and sale of the Purchased Assets under this Agreement and the Purchaser will file an election pursuant to section 167 of the Sales Tax Legislation, prepared by the Purchaser and made jointly by the Purchaser and the Vendor, in compliance with the requirements of the Sales Tax Legislation.

The Purchaser shall indemnify the Vendor for any Sales Tax, interest and penalties applicable to the Vendor on the sale of the Purchased Assets caused by the Purchaser's failure to file a valid election, whether under section 167 of the Sales Tax Legislation or otherwise, within the prescribed time.

- (b) If requested by the Purchaser, and to the extent such elections are appropriate, the Vendor shall make:
 - (i) a joint election(s) to have the rules in section 22 of the *Income Tax Act*, and any equivalent or corresponding provision under applicable provincial or territorial tax legislation, apply in respect of the Accounts Receivable and other assets described in section 22 of the *Income Tax Act* to designate in such election an amount equal to the portion of the Purchase Price allocated to such assets pursuant to Schedule "E" as the consideration paid by the Purchaser therefor; and
 - (ii) a joint election(s) to have the rules in subsection 20(24) of the *Income Tax Act*, and any equivalent or corresponding provision under applicable provincial or territorial tax legislation, apply to the obligations of the Vendor in respect of undertakings which arise from the operation of the business to which the Purchased Assets related and to which paragraph 12(1)(a) of the *Income Tax Act* applies.

4. REPRESENTATIONS AND WARRANTIES OF THE VENDOR

The Vendor represents and warrants to the Purchaser as follows and acknowledges that the Purchaser is relying on such representations and warranties in connection with its purchase of the Purchased Assets:

- 4.1 Residency.** The Vendor is not a non-resident of Canada for the purposes of the *Income Tax Act* (Canada) or any Sales Tax Legislation.

With the exception of the Vendor's representations and warranties in this Article 4, neither the Vendor nor its Representatives shall be deemed to have made any other representation or warranty, express or implied, at law or in equity, in respect of the Vendor or the Purchased Assets or the sale and purchase of the Purchased Assets pursuant to this Agreement.

5. REPRESENTATIONS AND WARRANTIES OF THE PURCHASER

The Purchaser represents and warrants to the Vendor as follows and acknowledges and confirms that the Vendor is relying on such representations and warranties in connection with its sale of the Purchased Assets:

5.1 Organization. As of the Closing Date, each of the corporations comprising the Purchaser shall be validly existing in good standing under the laws of its jurisdiction of incorporation.

5.2 Corporate Power and Authorization. As of the Closing Date,

- (a) the Purchaser shall have the corporate power and capacity to ratify its adoption of this Agreement pursuant to Section 21(2) of the *Ontario Business Corporations Act* and to perform its obligations hereunder;
- (b) this Agreement shall have been duly authorized by the Purchaser;
- (c) each of the agreements, contract and instruments required by this Agreement to be delivered by the Purchaser at the Closing Time has been or will be duly authorized by the Purchaser;
- (d) this Agreement shall have been duly executed and delivered by the Purchaser and shall be a legal, valid and binding obligation of the Purchaser, enforceable against the Purchaser by the Vendor in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency and other laws affecting the rights of creditors generally and except that equitable remedies may only be granted in the discretion of a court of competent jurisdiction;
- (e) each of the agreements, contracts and instruments required by this Agreement to be delivered by the Purchaser will be duly executed and delivered by the Purchaser and will be legal, valid and binding obligations of the Purchaser, enforceable against the Purchaser by the Vendor in accordance with their respective terms, except as enforcement may be limited by bankruptcy, insolvency and other laws affecting the rights of creditors generally and except that equitable remedies may only be granted in the discretion of a court of competent jurisdiction.

5.3 No Violation. The execution and delivery of this Agreement by the Purchaser and the consummation of the transactions herein provided for will not result in the violation of, or constitute a default under, or conflict with or cause the acceleration of any obligation of the Purchaser under:

- (a) any Contract to which the Purchaser is a party or by which it is bound;
- (b) any provision of the constating documents or by-laws or resolutions of the board of directors (or any committee thereof) or shareholders of the Purchaser;
- (c) any judgment, decree, order or award of any court, governmental body or arbitrator having jurisdiction over the Purchaser; or
- (d) any applicable law, statute, ordinance, regulation or rule, save and except for those matters set out as conditions to Closing.

5.4 GST Registration. At the Closing Time, each of the corporations comprising the Purchaser shall be registrants for purposes of the ETA and shall provide the Vendor with evidence thereof.

6. COVENANTS

6.1 Access Rights. Upon reasonable prior notice by the Purchaser to the Vendor and at any time prior to the Closing Date, the Purchaser may have reasonable access to the Purchased Assets, specifically any customer and source code directory or repository, and in each case prior to Closing for the purpose of enabling the Purchaser to conduct such inspections of the Purchased Assets as it deems appropriate, acting reasonably. Such inspection shall only be conducted in the presence (including via screenshare) of a representative of the Vendor, if so required at the discretion of the Vendor, or via a “view only mode” login account established by the Vendor for inspection purposes. The Purchaser agrees to indemnify and save the Vendor and its Representatives harmless from and against all Claims incurred or arising from or in any way directly related to physical harm to property or people caused by the Purchaser’s inspection of the Purchased Assets or the attendance of the Purchaser, its employees or agents at properties or in the software comprising part of the Purchased Assets or at or in which any of the Purchased Assets are situate. For greater certainty, other than a breach of this Agreement by the Vendor, the Vendor shall not be responsible to indemnify and save the Purchaser harmless from or against the findings of the Purchaser’s inspection.

6.2 Conduct Prior to Closing. Without in any way limiting any other obligations of the Vendor hereunder, during the period from the date hereof until such time as the Purchaser is confirmed as the Successful Bidder:

- (a) ***Commercially Reasonable Efforts*** The Vendor agrees to take all such actions as are within its power to control and shall use its commercially reasonable efforts to cause other actions to be taken which are not within its power to control, to:
 - (i) remain in possession of the Purchased Assets (including any third party licences therein) until Closing, use the Purchased Assets only in the Ordinary Course of Business, to the extent applicable, and maintain, preserve and protect the Purchased Asset in the conditions in which they exist on the date hereof, other than ordinary wear and tear and other than replacements, dispositions, modifications or maintenance in the Ordinary Course of Business, to the extent applicable;
 - (ii) not dispose of any of the Purchased Assets (including any third-party licences therein); and
 - (iii) not amend in any material respect or in a manner outside the Ordinary Course of Business, to the extent applicable, any Assumed Contract or waive any material rights thereunder, or disclaim any Assumed Contract that is material to the business of the Debtor without the consent of the Purchaser.
- (b) ***Access to Documents:*** The Vendor agrees to take all such actions as are within its power to control and shall use its commercially reasonable efforts to cause other actions to be taken which are not within its power to control, to facilitate the Purchaser having access to the books, records, contract,

agreements, patents, trademarks, of other documents relating to the Purchased Assets such as the Purchaser may request for review in advance of the Closing Date

7. CONDITIONS OF CLOSING

7.1 Conditions of Closing in Favour of the Purchaser. The purchase and sale of the Purchased Assets is subject to the following terms and conditions for the exclusive benefit of the Purchaser, to be performed or fulfilled at or prior to the Closing Time:

- (a) ***Representations and Warranties*** The representations and warranties of the Vendor contained in this Agreement shall be true and correct in all material respects at the Closing Time with the same force and effect as if such representations and warranties were made at and as of such time;
- (b) ***Covenants*** All of the terms, covenants and conditions of this Agreement to be complied with or performed by the Vendor at or before the Closing Time shall have been complied with or performed in all material respects;
- (c) ***Deliveries*** The deliveries of the Vendor under Section 8.4 shall have been completed in accordance with the terms thereof.

7.2 Non-Performance by the Vendor. The foregoing conditions are for the exclusive benefit of the Purchaser. If any of the conditions contained in Section 7.1 shall not be performed or fulfilled at or prior to the Outside Date in the opinion of the Purchaser, the Purchaser may, as its sole remedy against the Vendor, by notice to the Vendor, terminate this Agreement and the obligations of the Purchaser to complete the transactions contemplated by this Agreement shall be terminated and the Deposit shall be immediately returned to the Purchaser without deduction. Any such condition may be waived in whole or in part by the Purchaser or the Purchaser may extend the time for fulfillment of such condition.

7.3 Conditions of Closing in Favour of the Vendor. The purchase and sale of the Purchased Assets is subject to the following terms and conditions for the exclusive benefit of the Vendor, to be performed or fulfilled at or prior to the Closing Time:

- (a) ***Representations and Warranties.*** The representations and warranties of the Purchaser contained in this Agreement shall be true and correct in all material respects at the Closing Time with the same force and effect as if such representations and warranties were made at and as of such time;
- (b) ***Covenants.*** All of the terms, covenants and conditions of this Agreement to be complied with or performed by the Purchaser at or before the Closing Time shall have been complied with or performed in all material respects; and
- (c) ***Deliveries*** The deliveries of the Purchaser under Section 8.3 shall have been completed in accordance with the terms thereof.

7.4 Non-Performance by the Purchaser. The foregoing conditions are for the exclusive benefit of the Vendor. If any of the conditions contained in Section 7.3 shall not be performed or fulfilled at

or prior to the Outside Date to the satisfaction of the Vendor, the Vendor may, without prejudice to its other rights, by notice to the Purchaser, terminate this Agreement and the obligations of the Vendor and the Purchaser under this Agreement, shall be terminated the Deposit shall be kept by the Receiver without deduction. Any such condition may be waived in whole or in part by the Vendor without prejudice to any claims it may have for breach of covenant, representation or warranty.

7.5 Condition Precedent

The obligations of the Vendor and the Purchaser to complete the Transaction are subject to the following conditions precedent being fulfilled or performed at the Time of Closing:

- (a) **Appointment of Receiver over Property.** The Receiver shall have been appointed in respect of all of the Property which comprises the Purchased Assets;
- (b) **Assignment of Lease.** The Landlord shall have consented to the assignment of the Debtor's interest in the Lease, or an Assignment Order in respect of the Lease shall have been obtained; and
- (c) **Approval and Vesting Order.** An appropriate form of Approval and vesting Order shall have been agreed upon as between the Purchaser and the Vendor and the Approval and Vesting Order shall have been issued by the Court and shall not have been stayed, varied, or vacated;

The Parties hereto acknowledge that the foregoing conditions are for the mutual benefit of the Vendor and the Purchaser. If the conditions set out in this Section 7.5 are not satisfied performed or mutually waived on or before the Outside Date, any Party shall have the option to terminate this Agreement upon written notice to the other Parties and the Deposit shall be immediately returned to the Purchaser without deduction.

8. CLOSING DATE AND TRANSFER OF POSSESSION

- 8.1 Transfer.** Upon the fulfillment of all the conditions set out in Article 7 which have not been waived in writing by the Purchaser or the Vendor, as the case may be, the transfer of possession of the Purchased Assets shall be deemed to take effect as at the Closing Time. The Purchaser acknowledges that the Vendor has no obligation to deliver physical possession of the Purchased Assets to the Purchaser. In no event shall the Purchased Assets be sold, assigned, transferred or set over to the Purchaser until the conditions set out in the Approval and Vesting Order have been satisfied or waived by the Purchaser or Vendor, as applicable, and the Purchaser has satisfied all delivery requirements outlined in Section 8.3. The Purchaser shall promptly notify the Vendor of any Excluded Assets which may come into the possession or control of the Purchaser, whether before or after Closing, and thereupon shall promptly release such Excluded Assets to the Vendor, or to such other Person as the Vendor may direct in writing and, for greater certainty, title shall not be deemed to vest to the Purchaser in respect of any Excluded Assets. The Vendor shall have no obligation to remove any Excluded Equipment from any premises that constitute part of Purchased Assets. All right, title and interest in any such Excluded Equipment which is not sold or removed from such premises after three months following Closing shall vest in the Purchaser unless the Purchaser objects to such title transfer in which case, right, title and interest shall continue to vest in the Vendor but the Purchaser shall be entitled to dispose of such Excluded Equipment at the Purchaser's expense.

8.2 Manner of Closing. The closing shall take place at the Closing Time via the electronic exchange of all necessary documents and other deliveries. Any funds payable to the Vendor as part of the closing shall be paid by wire transfer to the Receiver's solicitor. All Closing Documents and closing funds are to be held in escrow until, in each case, the signatories to such documents, or for whose benefits such documents are to be delivered, have agreed that such deliveries are satisfactory (with the exception of those agreements and documents noted as complete), each party to the Closing has agreed that all acts to be completed and all deliveries to be effected at Closing for the benefit of such party have been satisfactorily completed, effected or waived and all parties have agreed to terminate the escrow, or until the parties otherwise agree to release all such deliveries. When the parties agree to terminate the escrow, each of the Closing Documents shall be released from escrow and shall be deemed to have been delivered, and the transactions effected thereby shall be deemed to have occurred, in the order and sequence, and shall be released in the same order and sequence, set forth in this agreement or in a separate closing agenda. The escrow arrangements described herein are designed to facilitate the orderly completion of the transactions contemplated in this agreement and shall not serve to release any party from any obligation thereunder. All Closing Documents to be tabled or delivered and all transactions and acts to be performed at the Closing shall be deemed to take place simultaneously, such that no transaction will be deemed to have been completed and no instrument or document will be deemed to have been delivered or effective until all conditions of the Closing have been fulfilled or waived and all transactions are completed to permit contemporaneous closing and all instruments and documents are delivered, except as agreed between counsel for the each of the parties.

8.3 Purchaser's Deliveries on Closing. At or before the Closing Time, the Purchaser shall execute and deliver, or arrange for the delivery, as the case may be, to the Vendor the following, each of which shall be in form and substance satisfactory to the Vendor, acting reasonably:

- (a) the Cash Portion of the Purchase Price in accordance with Section 3.3(b);
- (b) payment of Transfer Taxes required by Applicable Law to be collected by the Vendor, or alternatively, if applicable, the election(s) referred to in Section 3.5(a)(iii) executed by the Purchaser;
- (c) an executed assignment and assumption agreement evidencing the assumption by the Purchaser of the Assumed Liabilities;
- (d) an executed assignment agreement evidencing the assumption by the Purchaser of all Intellectual Property;
- (e) a certificate dated as of the Closing Date confirming that all of the representations and warranties of the Purchaser contained in this Agreement are true in all material respects as of the Closing Time, with the same effect as though made at and as of the Closing Time, and that the Purchaser has performed in all respects the covenants to be performed by it prior to the Closing Time; and
- (f) such further and other documentation as is referred to in this Agreement or as the Vendor may reasonably require to give effect to this Agreement.

8.4 Vendor's Deliveries on Closing. At or before the Closing Time, the Vendor shall execute and deliver, or arrange for the delivery, as the case may be, to the Purchaser the following, each of which shall be in form and substance satisfactory to the Purchaser, acting reasonably:

- (a) the Purchased Assets, which shall be delivered *in situ* wherever located as of the Closing;
- (b) a copy of the Approval and Vesting Order that has been issued;
- (c) an executed assignment and assumption agreement evidencing the assignment by the Vendor of the Assumed Liabilities to the Purchaser;
- (d) an executed assignment agreement evidencing the assignment by the Vendor of all Intellectual Property to the Purchaser;
- (e) a true and complete copy of all Assignment Orders, if any, entered by the Court;
- (f) a certificate dated as of the Closing Date confirming that all of the representations and warranties of the Vendor contained in this Agreement are true in all material respects as of the Closing Time, with the same effect as though made at and as of the Closing Time, and that the Vendor has performed in all material respects the covenants to be performed by it prior to the Closing Time;
- (g) if applicable, the election(s) referred to in Section 3.5(a)(iii) executed by the Vendor;
- (h) the executed Receiver's Certificate; and
- (i) such further and other documentation as is referred to in this Agreement or as the Purchaser may reasonably require to give effect to this Agreement.

8.5 Further Assurances. From time to time subsequent to the Closing Date, each party to this Agreement covenants and agrees that it will at all times after the Closing Date, at the expense of the requesting party, promptly execute and deliver all such documents, including, without limitation, all such additional conveyances, transfers, consents and other assurances and do all such other acts and things as the other party, acting reasonably, may from time to time request be executed or done in order to better evidence or perfect or effectuate any provision of this Agreement or of any agreement or other document executed pursuant to this Agreement or any of the respective obligations intended to be created hereby or thereby.

8.6 Risk of Loss. From the date hereof up to the Closing Time, the Purchased Assets shall be and remain at the risk of the Vendor. If, prior to the Closing Time, all or any part of the Purchased Assets which are necessary to carry on the Vendor's business as currently conducted are destroyed or damaged by fire or any other casualty or shall be appropriated, expropriated or seized by governmental or other lawful authority, unless the Purchaser terminates its obligations under this Agreement as contemplated by Section 7.2, the Purchaser shall complete the purchase without reduction of the Purchase Price, in which event all proceeds of insurance or compensation for expropriation or seizure shall be paid to the Purchaser at the Closing Time and all right and claim

of the Vendor to any such amounts not paid by the Closing Date shall be assigned at the Closing Time to the Purchaser.

8.7 Consents. Notwithstanding anything to the contrary herein, if by the Closing Time the consent, approval or waiver to the assignment of any Consent Required Contract has not been obtained, and the assignment of such Contract has not been ordered by the Court, then the Purchaser shall still be required to complete the purchase without reduction of the Purchase Price and:

- (a) the Purchaser may elect, by notice in writing to the Vendor given on or before the Closing Time, in respect of all or any the Contracts in respect of which such consents have not been obtained, to not have such Contracts assigned to the Purchaser at the Closing Time and to not take the benefit thereof, in which case such Contracts shall be deemed to be Excluded Assets for the purposes hereof and any liabilities associated therewith shall be deemed to be Excluded Liabilities; or
- (b) the Purchaser may elect that the Vendor shall continue after the Closing Time, at the sole cost of the Purchaser, to use its best efforts from time to time in order to obtain any such consents and approvals. In such case the Vendor will hold the benefit of any Contract for which such consent or approval has not been obtained in trust for the Purchaser (but only to the extent that holding such benefit in trust without first having obtained the consent or approval of the other contracting party does not constitute a breach of, or result in a default under such Contract) and use its best efforts to continue to perform such Contracts. All benefits derived under any such Contract after the Closing Time shall be for the benefit of the Purchaser, and the Vendor shall take or cause to be taken, at the sole cost of the Purchaser, all action that the Purchaser may reasonably require to provide the Purchaser with the benefit thereof, it being understood that at such time as such consent or approval is obtained, the said Contract shall be automatically assigned to the Purchaser. If such consent or approval is not obtained within 60 days from the Closing Time, or such other period as the Vendor may consent to in writing, the Purchaser shall be deemed to have made an election in accordance with Section 8.7(a) hereof to deem such Contract to be an Excluded Asset.

9. ASSIGNMENT.

No Party may assign its rights or obligations under this Agreement without the prior written consent of the other Party. Notwithstanding the foregoing, the Purchaser shall have the right, until the issuance of the Approval and Vesting Order, upon written notice to the Vendor, to:

- (a) assign, in whole or part, its rights to acquire the Purchased Assets herein to any company or companies affiliated (as that term is defined in the Ontario Business Corporations Act) with the Purchaser, provided that such assignment shall not release the Purchaser from its obligations under this Agreement; or
- (b) designate a nominee corporation to be the entity into which the Purchased Assets shall vest pursuant to the Approval and Vesting Order.

10. MISCELLANEOUS

10.1 Receiver's Certificate. The Parties acknowledge and agree that the Receiver shall be entitled to deliver to the Purchaser, and file with the Court, the executed Receiver's Certificate without independent investigation, upon receiving written confirmation from both Parties (or the applicable Party's counsel) that all conditions of Closing in favour of such Party have been satisfied or waived, and the Receiver shall have no liability to the Parties in connection therewith. The Parties further acknowledge and agree that (i) upon written confirmation from both Parties that all conditions of Closing in favour of such Party have been satisfied or waived (other than the payments contemplated in Section 3.1(b) and the delivery of the executed Receiver's Certificate), the Receiver may deliver the executed Receiver's Certificate to the Purchaser's counsel in escrow, with the sole condition of its release from escrow being the Receiver's written confirmation that all such funds have been received, the Receiver's Certificate will be released from escrow to the Purchaser, and the Closing shall be deemed to have occurred

10.2 Receiver's Capacity. The Vendor and the Purchaser acknowledge and agree that the Receiver, acting in its capacity as Receiver of the assets, properties and undertakings of the Debtor, will have no liability, in its personal capacity or otherwise, in connection with this Agreement whatsoever as Receiver.

10.3 Termination by Agreement. This Agreement shall automatically terminate at any time prior to the Closing Time by mutual written agreement of the Vendor and the Purchaser.

10.4 Termination in Other Circumstances. This Agreement may be terminated at any time prior to the Closing Time upon the occurrence of any of the following:

- (a) a condition precedent has not been satisfied or waived pursuant to and in accordance with Article 7 and a Party entitled to terminate this Agreement as a result thereof has delivered written notice of termination pursuant to Article 7 (provided that the terminating Party has not failed to satisfy a closing condition under this Agreement); or
- (b) Closing shall not have occurred on or prior to the Outside Date and any of the Parties shall have delivered written notice of termination to the other Parties terminating this Agreement as a result thereof (provided that the terminating Party has not failed to satisfy a closing condition under this Agreement).

10.5 Effects of Termination and Closing.

- (a) If this Agreement is terminated pursuant to Sections 10.1 or 10.4, all further obligations of the Parties under or pursuant to this Agreement shall terminate without further liability of any Party to the other except for the provisions of this Section 10.5 (Effects of Termination and Closing), each of which will survive termination.
- (b) Under no circumstance shall any of the Parties, their Representatives or their respective directors, officers, employees or agents be liable for any special, punitive, exemplary, consequential or indirect damages (including loss of profits) that may be alleged to result, in connection with, arising out of, or relating to this Agreement or the transactions contemplated herein.

10.6 Notices.

- (a) Any notice or other communication required or permitted to be given hereunder shall be in writing and shall be delivered in person, transmitted by telecopier or sent by registered mail, charges prepaid, addressed as follows:

if to the Vendor:

Attention: Jeff Keeble

Telephone: [REDACTED]

Email Address: [REDACTED]

with a copy to:

Dentons Canada LLP
20th Floor, 250 Howe Street
Vancouver, BC V6C 3R8

Attention: Jordan Schultz

Email: [REDACTED]

if to the Purchaser:

Attention: [REDACTED]

Telephone: [REDACTED]

Email Address: [REDACTED]

with a copy to:

Tarkin Manes LLP
151 Yonge Street, Suite 1500
Toronto, Ontario M5C 2W7

Attention: Stewart Thom

Email: [REDACTED]

- (b) Any such notice or other communication shall be deemed to have been given and received on the day on which it was delivered or transmitted (or, if such day is not a business day, on the next following business day) or, if mailed, on the third business day following the date of mailing; provided, however, that if at the time of mailing or within three business days thereafter there is or occurs a labour dispute or other event which might reasonably be expected to disrupt the delivery of documents by mail, any notice or other communication hereunder shall be delivered or transmitted by telecopier.
- (c) Either party may at any time change its address for service from time to time by giving notice to the other party in accordance with this Section 10.6.

- 10.7 Dispute Resolution.** If any dispute arises with respect to any matter related to the Transaction or the interpretation or enforcement of this Agreement such dispute will be determined by the Court, or by such other Person or in such other manner as the Court may direct or as mutually agreed by the Vendor and the Purchaser.
- 10.8 Commissions, etc..** It is understood and agreed that no broker, agent or other intermediary acted for the Vendor or the Purchaser in connection with the sale or purchase of the Purchased Assets. The Purchaser agrees to indemnify the Vendor and its Representatives against any claim for compensation or commission by any third party or agent retained by the Purchaser in connection with, or in contemplation of, the Transaction; and the Vendor shall indemnify the Purchaser and its Representatives for any third party or agent or broker fees or other commissions payable by the Vendor on the Purchase Price or otherwise in connection with the Transaction.
- 10.9 Consultation.** The parties shall consult with each other before issuing any press release or making any other public announcement with respect to this Agreement or the transactions contemplated hereby and, except as required by any applicable law or regulatory requirement, none of them shall issue any such press release or make any such public announcement without the prior written consent of the others, which consent shall not be unreasonably withheld or delayed.
- 10.10 Successors and Assigns.** This Agreement shall enure to the benefit of and shall be binding on and enforceable by the parties and, where the context so permits, their respective heirs, legal personal representatives, successors and permitted assigns. Except as provided in Article 10 and this Section 10.10, neither party may assign any of its rights or obligations hereunder without the prior written consent of the other party.
- 10.11 Amendment and Waivers.** No amendment or waiver of any provision of this Agreement shall be binding on either party unless consented to in writing by such party. No waiver of any provision of this Agreement shall constitute a waiver of any other provision, nor shall any waiver constitute a continuing waiver unless otherwise provided.
- 10.12 Counterparts.** This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which shall constitute one and the same agreement. Transmission by facsimile or by e-mail of an executed counterpart of this Agreement shall be deemed to constitute due and sufficient delivery of such counterpart.

[Remainder of Page Left Blank]

IN WITNESS WHEREOF this Agreement has been executed by the parties.

PURCHASER:

CANADAWIDE SPORTS INC.

Signed by: 
Per: 
Title: President

VENDOR:

**DELOITTE RESTRUCTURING
INC.**, solely in its capacity as Court-
appointed receiver of the assets,
property and undertakings of G3
Genuine Guide Gear Inc., and not in its
personal or corporate capacity

DocuSigned by: 
Per: _____
F8A33E323177461...
Title: Senior Vice President

SCHEDULE "A"
PURCHASED ASSETS

1. All assets, interests and Property of the Debtor that are not Excluded Assets;
2. All Intellectual Property;
3. The Assumed Contracts, being:
 - a. the Lease; and
 - b. such other agreements as may be particularized by the Purchaser in writing in advance of the Closing Date.

SCHEDULE "B"
EXCLUDED ASSETS

The Purchased Assets shall not include any of the following property and assets (collectively, the **"Excluded Assets"**):

- (a) The rights created under this Agreement;
- (b) All Contracts and agreements to which the Vendor or the Debtor is a party other than those Contracts or agreements set out in Schedule "A"
- (c) All of the Vendor's Employee Plans;
- (d) cash and cash equivalents of the Debtor;
- (e) all deposits held by any Person in favour of the Debtor, including but not limited to, deposits held by any landlord of the Debtor, utility providers as well as suppliers of goods and services to the Debtor;
- (f) all Accounts Receivable owed to the Debtor;
- (g) the Excluded Contracts;
- (h) any rights, interests or entitlements of the Debtor to or under any of the Debtor's commercial insurance policies, including but not limited to all insurance claims in respect of any Excluded Assets and Purchased Assets, in the case of the latter relating to the period prior to the Closing Date, and any proceeds therefrom;
- (i) any rights, interests or entitlements of the Debtor to or under any life insurance policies maintained by the Debtor;
- (j) original tax records and the Books and Records pertaining thereto, taxpayer and other identification numbers and other documents relating to the organization, maintenance and existence of the Debtor that do not relate exclusively or primarily to any of the Purchased Assets;
- (k) the benefit of any refundable Taxes payable or paid by the Debtor in respect of the Purchased Assets and applicable to the period prior to the Closing Date net of any amounts withheld by any taxing authority, and any claim or right of the Debtor to any refund, rebate, or credit (including input tax credits and Scientific Research and Experimental Development credits, rebates or refunds) of Taxes or federal or provincial government grants in respect of the period prior to the Closing Date

SCHEDULE "C"
PERMITTED ENCUMBRANCES

None

SCHEDULE "D"
FORM OF APPROVAL AND VESTING ORDER

[to be agreed upon between Purchaser and Vendor prior to the Closing Date].

SCHEDULE "F"
PURCHASE PRICE ALLOCATION

Allocation of the Purchase Price to

(a) Intellectual Property: [REDACTED];

(b) All other Purchased Assets: [REDACTED].

Appendix "E"

Original and Amending Lease Agreements for the Premises

**3737-3779 MARINE WAY
BURNABY, BRITISH COLUMBIA
WAREHOUSE LEASE**

LANDLORD: HALLMARK HOLDINGS LTD.

TENANT: G3 GENUINE GUIDE GEAR INC.

DATE: MARCH 17, 2015

INDEX

<u>Article</u>	<u>Page</u>
ARTICLE 1 - BASIC TERMS AND DEFINITIONS	1
1.1 Basic Terms	1
1.2 Definitions.....	2
1.3 Schedules.....	6
ARTICLE 2 - DEMISE AND TERM.....	7
2.1 Demise	7
2.2 Acceptance.....	7
2.3 Construction/Alterations.....	7
ARTICLE 3 - RENT	8
3.1 Annual Basic Rent and Additional Rent	8
3.2 No Set-Off	8
3.3 Adjustment	8
3.4 Prepaid Rent	8
3.5 Security Deposit	9
3.6 Transfer of Security Deposit and Prepaid Rent.....	9
3.7 Payment.....	9
3.8 Accrual of Annual Basic Rent	9
3.9 Net Lease	9
ARTICLE 4 - TENANT'S COVENANTS	10
4.1 Rent.....	10
4.2 Operating Costs and Taxes	10
4.3 Tenant's Taxes	10
4.4 Utilities.....	10
4.5 Repair.....	10
4.6 Repair on Notice.....	11
4.7 Business and Trade Fixtures	12
4.8 Alterations and Additions	13
4.9 Use of Premises	13
4.10 Signs	14
4.11 Rubbish	14
4.12 Window Coverings.....	14
4.13 Abate Nuisance	14
4.14 Obstruction of Roads.....	15
4.15 Stacking Material	15
4.16 No Auctions	15
4.17 Will Not Terminate Agreements	15
4.18 Liens.....	15
4.19 Entry for Benefit of Adjoining Premises.....	16
4.20 Compliance With Laws	16
4.21 Vacate on Termination.....	16
ARTICLE 5 - LANDLORD'S COVENANTS	17
5.1 Quiet Enjoyment.....	17
5.2 Common Areas.....	17
5.3 Repair.....	17
5.4 Maintenance of Common Areas	17
5.5 Payment of Taxes.....	17
ARTICLE 6 - ENVIRONMENTAL	17

6.1	Tenant's Covenants, Representations and Warranties	17
6.2	Landlord's Additional Remedies	20
6.3	Environmental Indemnity	20
ARTICLE 7 - DISPOSITIONS		21
7.1	Assignment and Subletting	21
7.2	Registered Charges	23
7.3	Subordination	23
7.4	Attornment	24
7.5	Estoppel Certificate	24
7.6	Exhibit Premises	24
7.7	Registration of Lease	24
ARTICLE 8 - INSURANCE AND INDEMNIFICATION		24
8.1	Tenant's Insurance	24
8.2	Landlord's Insurance	27
8.3	Indemnify Landlord	28
8.4	Damage or Injury	28
8.5	Tenant Responsible for Damages	28
ARTICLE 9 DEFAULT		28
9.1	Re-entry on Default	28
9.2	Sale and Reletting	30
9.3	Termination	30
9.4	Distress	30
9.5	Payments by Landlord Regarded as Rent	31
9.6	Landlord's Expenses Enforcing Lease	31
9.7	Remedies Cumulative	31
9.8	No Waiver	31
9.9	Interest	32
ARTICLE 10 DAMAGE AND DESTRUCTION/EXPROPRIATION		32
10.1	Damage and Destruction	32
10.2	Expropriation	33
ARTICLE 11 MUTUAL COVENANTS, AGREEMENTS AND PROVISOES		34
11.1	No Warranties	34
11.2	Notices	35
11.3	Holding Over	35
11.4	Inability to Perform	35
11.5	Rules and Regulations	36
11.6	Metric Equivalent	36
11.7	Governing Law	36
11.8	Number and Gender	36
11.9	Covenants	36
11.10	Time of the Essence	36
11.11	Headings	36
11.12	Enurement	36
11.13	Joint and Several Liability	36
11.14	Continuation of Obligations	36
11.15	Landlord's Limit of Liability	37
11.16	Consents	37
11.17	Amendments	37
11.18	Indemnifier's Provisions	37
ARTICLE 12 - ADDITIONAL PROVISIONS		37
12.1	Additional Provisions	37

SCHEDULES:

Schedule "A" - Description of Lands

Schedule "B" - Site Plan

Schedule "C" - Additional Provisions

Schedule "D" – Intentionally deleted

THIS INDENTURE dated as of the 17th day of March, 2015

BETWEEN:

HALLMARK HOLDINGS LTD.
c/o Canreal Management Corporation
Suite 409, 808 Nelson Street
Vancouver, British Columbia V6Z 2H2

(the "Landlord")

OF THE FIRST PART

AND:

G3 GENUINE GUIDE GEAR INC.
3771 Marine Way
Burnaby, British Columbia V5J 5A7

(the "Tenant")

OF THE SECOND PART

ARTICLE 1 - BASIC TERMS AND DEFINITIONS

1.1 Basic Terms The basic terms of this Lease are:

- | | | | |
|-----|-------|----------------------------|---|
| (a) | (i) | Landlord: | HALLMARK HOLDINGS LTD. |
| | (ii) | Address of Landlord: | c/o Canreal Management Corporation
Suite 409, 808 Nelson Street
Vancouver, British Columbia V6Z 2H2 |
| (b) | (i) | Tenant (legal name): | G3 GENUINE GUIDE GEAR INC. |
| | (ii) | Address of Tenant: | 3771 Marine Way
Burnaby, British Columbia V5J 5A7 |
| | (iii) | Individual to contact: | Oliver Steffen |
| (c) | (i) | Indemnifier(s): | N/A |
| | (ii) | Address of Indemnifier(s): | N/A |
| (d) | | Premises: | 3771 Marine Way
Burnaby, British Columbia V5J 5A7 |

- (e) Floor Area of Premises: 17,102 square feet total
(15,116 square feet of ground floor area and 1,986 square feet of mezzanine)
- (f) Term: Five (5) years
- (g) Commencement Date: June 1, 2015
- (h) Expiry Date: May 31, 2020
- (i) Annual Basic Rent:

Year	Per Square Foot	Per Month	Per Annum
1	\$6.50	\$9,263.58	\$111,163.00
2	\$6.75	\$9,619.88	\$115,438.50
3	\$7.00	\$9,976.17	\$119,714.00
4	\$7.25	\$10,332.46	\$123,989.50
5	\$7.50	\$10,688.75	\$128,265.00

- (j) Permitted Use: The Premises shall be used for the purpose of distributing, manufacturing and warehousing of skis and ski related products and a sales office, and for no other uses.
- (k) Prepaid Rent The Landlord acknowledges receipt of the sum of \$9,726.76 to be applied to Basic Rent and GST for the first month of the Term as provided in Section 3.4
- (l) Security Deposit The Landlord acknowledges receipt of the sum of \$11,223.19 to be applied as provided in Section 3.5

The foregoing Basic Terms are agreed to by the parties and each reference in this Lease to any of the Basic Terms will be construed to include the foregoing provisions and all of the additional applicable sections of this Lease where such Basic Terms are more fully set forth.

1.2 Definitions The Landlord and the Tenant hereby agree that in this Lease the following words or phrases shall, unless there is something in the context inconsistent therewith, have the meanings hereinafter set out:

- (a) "Additional Rent" shall mean those amounts payable by the Tenant to the Landlord in accordance with Sections 4.2 and 4.4 and all other sums which may be payable to the Landlord hereunder or reimbursable to the Landlord hereunder, including, without limitation, all interest and penalties payable hereunder, whether or not such sums are referred to as Additional Rent or otherwise, but excluding the Annual Basic Rent;

- (b) "Annual Basic Rent" shall mean the amount specified as such in Subsection 1.1(i);
- (c) "Building" shall mean all buildings and improvements erected or to be erected on the Land;
- (d) "Commencement Date" shall mean the date specified in Subsection 1.1(g);
- (e) "Expiry Date" shall mean the date specified in Subsection 1.1(h);
- (f) "Floor Area" shall mean the area (expressed in square feet or square meters) of any rentable area in the Project measured from the exterior of all exterior walls, doors and windows and from the centre line of all internal walls, separating the Premises from adjoining premises, all without deduction for columns or projections necessary to the Building or measured by the then current measurement standards employed by the Landlord from time to time. For the purposes of determining Annual Basic Rent, the area of any mezzanine in the Premises (as determined pursuant to the said standard methods) shall be included, but the area of such mezzanine shall be excluded for the purposes of determining the Tenant's Proportionate Share;
- (g) "Gross Leasable Area" shall mean, whether referring to the whole Project or any specified portion thereof, the aggregate, from time to time, of the Floor Areas of all leasable premises in the Project, excluding mezzanines, or in such specified portion, including the Premises, as the case may be;
- (h) "GST" means and includes any and all goods and services taxes, sales taxes, value added taxes, harmonized sales taxes, business transfer taxes, or any other taxes imposed on the Landlord or the Tenant from time to time in respect of the Rent or any other amount payable by the Tenant to the Landlord under this Lease or the provision of any goods, services or utilities, whatsoever by the Landlord to the Tenant under this Lease, whether characterized as a goods and services tax, sales tax, harmonized sales taxes, value added tax, business transfer tax, or otherwise, and includes the tax levied under Part IX of the *Excise Tax Act* (Canada);
- (i) "Hazardous Substances" means any contaminant, pollutant, dangerous or potentially dangerous or noxious or toxic substance, hazardous waste, flammable or explosive or radioactive material, urea formaldehyde foam insulation, asbestos, PCBs and substances or any other materials declared or defined to be hazardous, toxic, contaminants or pollutants, or which at any time during the Term are regulated as a threat or are capable of posing a threat to public health or the environment under or pursuant to, any applicable laws, regulations, requirements or guidelines in the Province of British Columbia, including any applicable laws, regulations, requirements or guidelines of the Government of Canada or of the Government of the Province of British Columbia or of the municipality in which the Project is situate or of any other lawful governmental authority having jurisdiction;
- (j) "Land" shall mean those lands described in Schedule "A" hereto;

- (k) "Landlord" shall mean only the owner or the mortgagee in possession for the time being of the Premises;
- (l) "Landlord's Mortgagees" shall mean the mortgagees, debentureholders and trustees on behalf of a mortgagee holding Mortgages;
- (m) "Lease" shall mean this Indenture together with all schedules attached hereto;
- (n) "Lease Year" shall mean, in the case of the first Lease Year, the period beginning on the Commencement Date and terminating 12 months from the last day of the calendar month in which the Commencement Date occurs (except that if the Commencement Date occurs on the first day of a calendar month, the first Lease Year shall terminate on the day prior to the first anniversary of the Commencement Date) and, in the case of each subsequent Lease Year, shall mean each 12 month period after the first Lease Year;
- (o) "Mortgages" shall have the meaning set out in Section 7.3;
- (p) "Operating Costs" shall mean all costs and expenses incurred by the Landlord in the operation, administration, maintenance, repair and replacement of the Project and any part thereof, including without limiting the generality of the foregoing:
 - (i) the cost of providing cleaning, garbage removal, supervisory and maintenance services;
 - (ii) the cost of providing janitorial service (if any);
 - (iii) the cost of hot and cold water, electricity, telephone and other utilities and services to all space both rentable and non-rentable;
 - (iv) the cost of heating, cooling and ventilating all space both rentable and non-rentable;
 - (v) the cost of repairing, maintaining and replacing any equipment including but not limited to heating, cooling and ventilation equipment and electrical equipment;
 - (vi) the cost of all repairs and maintenance of and replacements to the Project including exterior painting (other than those for which the costs are the responsibility of the Landlord hereunder);
 - (vii) the cost of all repair and maintenance of and replacements to the Roof **but excluding the deck and structural components of the roof**;
 - (viii) the cost of snow clearance and salting;
 - (ix) the cost of repairing, repaving, and restriping parking areas and roadways of the Project;
 - (x) the cost of landscaping and maintaining any landscaped areas on the Project;
 - (xi) the cost of security and supervision;

- (xii) the cost of all insurance maintained by the Landlord in respect of the Project or any part thereof;
 - (xiii) reasonable accounting costs incurred in connection with maintenance and operation of the Project, including computations required for the imposition of charges to tenants and audit charges for the reporting of charges hereunder;
 - (xiv) the amount of that portion of salaries, wages and fringe benefits paid to employees which is attributable to the operation and maintenance of the Project and amounts paid to independent contractors for any services in connection with such operation and maintenance;
 - (xv) property management fees (whether management functions are performed by the Landlord or by an independent contractor) as set forth in Section 4.2;
 - (xvi) corporation capital tax calculated as if the Project were the only property owned by the Landlord; and
 - (xvii) depreciation and carrying costs in respect of repairing, maintaining and replacing any and all fixtures, equipment, facilities and other elements of the Project from time to time which require periodic replacement at rates determined by the Landlord in accordance with generally accepted accounting principles where such costs have not been charged fully in the fiscal period in which they are incurred;
- (q) "Premises" shall mean that portion of the Building shown outlined in bold black line on the site plan attached as Schedule "B" hereto and having the Floor Area set out in Subsection 1.1(f), more or less;
- (r) "Prepaid Rent" shall mean the prepaid rent set forth in Subsection 1.1(k);
- (s) "Project" shall mean the Land and the Building, including, without limitation, the Roof, exterior and interior walls and structural elements including bearing walls, electrical, plumbing, drainage, mechanical, and other installations or services as well as the structures housing them, fire prevention and communication systems, loading areas, parking areas, driveways, landscaped areas, retaining walls, washrooms (other than washrooms within the Premises or within other premises leased to tenants), any railway spur lines servicing the Building or Land, and all fixtures, general signs, lighting facilities, improvements, equipment, and installations on or in them that the Landlord provides or designates from time to time for the general use by or for the benefit of the Tenant in common with other tenants and other persons permitted by the Landlord;
- (t) "Property Manager" means, if any, that property manager retained from time to time by the Landlord to manage the Project, the Building or the Premises on its behalf;
- (u) "Proportionate Share" or "Tenant's Proportionate Share" shall mean the proportion that the Floor Area of the Premises bears to the Gross Leasable Area of all premises within the Project designated for lease to tenants, whether leased or not;

- (v) "Relative Portion" shall mean, with respect to any amount payable under this Lease, that fraction which has as its denominator the period of time expressed in days in respect of which an amount payable hereunder is calculated and which has as its numerator the number of days within the same calculation period, but which fall within the Term or any renewal period;
- (w) "Rent" shall mean the Annual Basic Rent and the Additional Rent;
- (x) "Roof" shall mean the roof of the Building including the roof membrane, insulation and deck and all structural components of the roof;
- (y) "Security Deposit" shall mean the security deposit set forth in Subsection 1.1(l);
- (z) "Taxes" shall mean the aggregate of all taxes, local improvements or similar rates, duties, assessments and/or charges, municipal realty taxes, water taxes, school taxes, or any other taxes, rates, duties, assessments both general or special or any rate, duty, assessment, charge or tax levied, charged or assessed in lieu thereof now or at any time hereafter levied or imposed upon or in respect of the Project or any part thereof and capital taxes payable by the Landlord based in whole or in part on the capital employed by the Landlord in the Project, by any governmental authority whether federal, provincial, municipal or otherwise, together with all costs and expenses (including legal and other professional fees and interest and penalties on deferred payments) incurred by the Landlord in good faith contesting or appealing any such taxes, levies, rates, assessments or charges levied in lieu thereof, but excluding the Tenant's Taxes;
- (aa) "Tenant's Taxes" shall mean all taxes, license and permit fees, rates, duties and assessments imposed or levied by any lawful authority covering any period during the Term and any renewal thereof and relating to or in respect of the business of the Tenant or relating to or in respect of personal property and all business and trade fixtures, machinery and equipment, cabinet work, furniture and movable partitions owned or installed by the Tenant at the expense of the Tenant or being the property of the Tenant, or relating to or in respect of improvements to the Premises built, made or installed by the Tenant, on behalf of the Tenant or at the Tenant's request whether any such taxes are payable by law by the Tenant or by the Landlord and whether such taxes are included by the taxing authority in the taxes, licenses, rates, duties and assessments imposed or levied on or with respect to the Premises; and all sales, goods and services, value-added or other taxes assessed or imposed on the Tenant or the Landlord, whether or not in existence on the Commencement Date, in respect of the Rent payable to the Landlord by the Tenant under this Lease, the rental of the Premises by the Landlord to the Tenant or the provision of any goods, services or utilities whatsoever by the Landlord to the Tenant under this Lease and any agreement to lease between the Landlord and the Tenant pursuant to which this Lease was entered into; and
- (bb) "Term" shall mean the term specified in Subsection 1.1(f).

1.3 Schedules The schedules attached to this Lease are incorporated into and form an integral part of this Lease.

ARTICLE 2 - DEMISE AND TERM

2.1 **Demise** The Landlord as owner, subject to such Mortgages and encumbrances as are registered against title as of the date hereof, hereby demises and leases the Premises to the Tenant and the Tenant takes the Premises on lease from the Landlord, subject to the terms and conditions set out in this Lease, to have and to hold the Premises unto the Tenant for the Term from and including the Commencement Date until the Expiry Date.

2.2 **Acceptance** Unless the Tenant gives written notice to the Landlord within a period of 10 days after taking possession of the Premises challenging the Floor Area of the Premises, then the Tenant shall be conclusively deemed to have accepted such calculation of the Floor Area of the Premises. In the event that the Tenant gives such written notice to the Landlord within the said 10 day period challenging the Floor Area of the Premises, or if the Landlord shall deem it necessary from time to time to remeasure the Floor Area of the Premises, the Building or any other part of the Project, then the relevant Floor Area shall be conclusively determined by a British Columbia land surveyor or BOMA certified measuring technician chosen by the Landlord, and the determination of such British Columbia land surveyor or BOMA certified measuring technician shall be final and binding on the Landlord and the Tenant. Upon any such recalculation or remeasurement, Rent (including but without limitation, Annual Basic Rent) shall be adjusted accordingly. The cost of such remeasurement, calculation or determination shall be included in Operating Costs.

If any error shall be found in the calculation of the Floor Area of the Premises or in the calculation of the Tenant's Proportionate Share, Rent (including but without limitation, Annual Basic Rent) shall be adjusted for the Lease Year in which the error is discovered and for the Lease Year preceding the Lease Year in which the error was discovered, if any, and thereafter, but for not for any prior period.

2.3 **Construction/Alterations** Subject to Section 5.1, the Tenant agrees that the Landlord may, from time to time, without incurring any liability to the Tenant hereunder or entitling the Tenant to any rental abatement whatsoever:

- (a) construct additional Buildings which will form part of the Project;
- (b) make changes in or additions to any part of the Project not in or forming part of the Premises;
- (c) make repairs, replacements, changes or additions to the structure, systems, facilities and equipment in the Premises or the Project where necessary to serve the Premises or the Project; and/or
- (d) change or alter the location of any common areas within the Project;

so long as, in carrying out any such work, the Landlord uses reasonable efforts to minimize any disturbance or interference with the Tenant's use of the Premises and the operation of the Tenant's business and promptly repairs any damage to the Premises caused by such work. In particular, without limiting the generality of the foregoing, the Tenant acknowledges that the construction of the Project may be completed in phases and, accordingly, construction of certain of the Buildings may occur and construction activities may be conducted on the Land after the Tenant occupies the Premises.

ARTICLE 3 - RENT

3.1 Annual Basic Rent and Additional Rent Commencing on the Commencement Date, the Tenant will pay to the Landlord, or as the Landlord may in writing direct in lawful money of Canada, during the Term the following Rent payable at the Landlord's address specified in Subsection 1.1(a)(ii) or at such other place as the Landlord may from time to time designate in writing, in the following instalments:

- (a) the Annual Basic Rent payable in advance in equal consecutive monthly instalments on the first day of each and every month in each and every year of the Term; and
- (b) the Additional Rent payable in accordance with the provisions of this Lease.

3.2 No Set-Off The Tenant covenants and agrees with the Landlord that all of the Rent payable under this Lease shall be paid by the Tenant to the Landlord without demand, deduction, set-off or abatement whatsoever, except as specifically provided in Subsection 10.1(a). The Tenant covenants and agrees that the Landlord may, at its option, apply all sums received from or due to the Tenant against any amounts due and payable hereunder in such reasonable manner as the Landlord may see fit.

3.3 Adjustment If the Term shall commence or cease on a day other than the commencement of or the end of any period of time in respect of which any amount payable hereunder is calculated, then the Tenant shall pay to the Landlord its Relative Portion of such amount for such period of time.

3.4 Prepaid Rent Upon the execution of this agreement, the Tenant shall deposit with the Landlord the prepaid rent in the amount of **\$9,726.76** to be held by the Landlord without interest and applied by the Landlord against the Basic Rent plus GST payable in respect of those months of the Term described in Subsection 1.1(k). If default occurs under this Lease as described in Section 9.1, the Landlord, at its option, may apply all or part of any yet to be applied Prepaid Rent towards the payment of overdue Rent and/or GST or in payment of any cost or expense which the Landlord may incur as a result of any such breach, without limiting or excluding any other right which the Landlord may have hereunder or in law, and the Tenant will, upon demand, deliver such amount as is required to restore the amount of Prepaid Rent so applied by the Landlord, and the Tenant's failure to do so within five days after delivery of such demand to the Tenant constitutes a default under this Lease.

3.5 Security Deposit Upon the execution of this agreement, the Tenant shall deposit with the Landlord a security deposit in the amount of **\$11,223.19**, to be held by the Landlord without interest as security for the performance by the Tenant of all the terms, covenants and conditions of this Lease. If at any time during the Term, Rent and/or GST is overdue and unpaid or the Tenant is in breach of any covenant, condition or proviso contained in this Lease, the Landlord may, at its option, apply all or a portion of the Security Deposit toward the payment of overdue Rent and/or GST or in payment of any cost or expense which the Landlord may incur as a result of any such breach, without limiting or excluding any other right which the Landlord may have hereunder or in law. In the event that the entire Security Deposit or any portion thereof is applied by the Landlord in the manner described above, then the Tenant will, upon demand, deliver to the Landlord such amount as is required to restore the Security Deposit to the original amount held by the Landlord prior to such application, and the Tenant's failure to do so within five days after delivery of such demand to the Tenant constitutes a default under this Lease. The Landlord will return the balance, if any, of the Security Deposit then held by it to the Tenant within 60 days after the end of the Landlord's fiscal year in which the Term expires or the Lease is otherwise terminated.

3.6 Transfer of Security Deposit and Prepaid Rent In the event of a sale, transfer or assignment of this Lease by the Landlord, the Landlord may transfer the Security Deposit, the Prepaid Rent, or so much thereof as shall then be remaining, to the purchaser, transferee or assignee, and thereupon provided the Landlord has caused such purchaser, transferee or assignee to assume and be bound by the Landlord's obligations hereunder, the Landlord shall be freed and discharged from any further liability in respect of the Security Deposit or Prepaid Rent.

3.7 Payment The Tenant shall make all Rent payments either (at the Landlord's option) by way of a series of cheques, post-dated to the respective due dates of such payments, which the Tenant shall supply to the Landlord at the commencement of each Lease Year or earlier should the Landlord so request, or by way of an automatic debiting system by which payments are deducted from the Tenant's bank account and credited to the Landlord's, all at the Tenant's cost and all without prejudice to any other right or remedy of the Landlord.

3.8 Accrual of Annual Basic Rent The Annual Basic Rent shall accrue from day to day. Where the calculation of any Additional Rent is not made until the termination or expiry of this Lease, the obligation of the Tenant to pay such Additional Rent shall survive the termination or expiry of this Lease and such amounts shall be payable by the Tenant upon demand by the Landlord.

3.9 Net Lease It is the intention of the parties hereto that this Lease shall be a net lease and that the Rent provided to be paid to the Landlord hereunder shall be net to the Landlord and shall yield to the Landlord the entire such rental during the Term and any renewal thereof without abatement for any cause whatsoever except as set forth in Subsection 10.1(a). Save as specifically set forth in this Lease, all costs, expenses and obligations of every kind and nature whatsoever relating to the Premises, whether or not herein referred to and whether or not of a kind now existing or within the contemplation of the parties hereto, shall be paid by the Tenant.

ARTICLE 4 - TENANT'S COVENANTS

The Tenant hereby covenants and agrees with the Landlord as follows:

4.1 Rent The Tenant shall pay, throughout the Term Annual Basic Rent and Additional Rent, at the times and in the manner specified in this Lease.

4.2 Operating Costs and Taxes The Tenant shall pay the Additional Rent (including, without limitation, the Tenant's Proportionate Share of Operating Costs and Taxes) as estimated by the Landlord for each calendar year (or other fiscal year adopted by the Landlord for the Project) during the Term and a management fee of five percent (5%) of the Annual Basic Rent payable by the Tenant in each calendar year (or other fiscal year adopted by the Landlord for the Project) during the Term. The Tenant shall pay to the Landlord such amounts in monthly instalments in advance during each Lease Year on the first day of each calendar month. Within a reasonable period of time following each calendar or other fiscal year, the Landlord shall furnish to the Tenant a statement of the Operating Costs and Taxes for such Lease Year and the Tenant's Proportionate Share thereof. If the amount payable by the Tenant as shown on any such statement is greater or less than the aggregate of amounts paid by the Tenant pursuant to this Section 4.2, the proper adjusting credit shall be made by the Landlord or payment made by the Tenant, as the case may be, within 14 days after delivery of the statement. Any credit made by the Landlord or payment made by the Tenant and accepted by the Landlord in respect of any adjustment made hereunder, shall be without prejudice to the right of the Landlord to claim a readjustment provided such claim is made within 12 months from the date of delivery of the statement referred to in this Section 4.2. Notwithstanding the foregoing, whenever, in the Landlord's reasonable opinion, any Operating Costs or item of Operating Costs or Taxes properly applies to a particular tenant or tenants within the Project, the Landlord may allocate such Operating Costs or Taxes or item of Operating Costs or taxes, to such tenant or tenants. Any amount allocated by the Landlord to the Tenant pursuant to this Section shall be payable by the Tenant within 10 days of receipt. The Tenant shall have no right to contest or review the Taxes by legal proceedings or in any other manner.

4.3 Tenant's Taxes The Tenant shall promptly pay the Tenant's Taxes as they become due. The Tenant shall provide to the Landlord, upon request, the official receipt for each payment made by the Tenant in respect of the Tenant's Taxes.

4.4 Utilities The Tenant shall pay promptly for all electricity, gas, other fuel, water, telephone and other utilities consumed on the Premises as separately billed by the supplying utility to the Tenant. If any such utilities used on the Premises are not separately billed by the supplying utility to the Tenant, the Tenant will pay the Landlord the cost of such utilities, as reasonably allocated by the Landlord to the Tenant in accordance with information meters or such other method as the Landlord may reasonably choose, plus an administrative fee of 15% of such costs.

4.5 Repair The Tenant shall examine the Premises before taking possession hereunder and such taking of possession shall be conclusive evidence as against the Tenant that at the Commencement Date the Premises were in good order and repair, except for any material defects of a structural nature in the Roof, foundations, exterior walls or floor of the Building existing as at the Commencement Date and in respect of which the Tenant gives written notice to the Landlord not later than 30 days after the Commencement Date.

Except for damage caused by the Tenant or employees of the Tenant or agents of the Tenant, and except for reasonable wear and tear, the Landlord agrees: (a) at the Landlord's expense, to keep in good repair the structural aspects of each of the Roof (and for certainty excluding the Roof membrane ~~and insulation and deck~~), the foundations and the exterior of the Premises (excluding glass, exterior doors and exterior painting) and underground utility and sewer pipes outside the exterior walls of the building; and (b) to keep in good repair the Roof membrane, ~~and insulation and deck~~, the cost of which will form part of the Operating Costs.

Excepting only the repair of such defects, reasonable wear and tear and repairs for which the Landlord is responsible under this Lease, the Tenant shall, at all times during the Term and any renewal thereof, promptly, at its own expense, repair and maintain the Premises and all equipment, fixtures and improvements in a good condition. At the end or sooner termination of the Term or any renewal thereof, the Tenant shall yield up to the Landlord, without notice from the Landlord, the Premises repaired and maintained in the condition aforesaid.

4.6 **Repair on Notice** The Tenant shall permit the Landlord and its duly authorized agents or nominees, with or without workmen and others, to enter upon the Premises at all reasonable times for the purpose of examining the state of repair, condition and use thereof, and to permit such entry after the Landlord shall have given reasonable notice to the Tenant of such intended entry and examination, and in every case the Tenant shall afford the Landlord all aid and facilities in such entry and examination and upon notice in writing of any defect or want of repair being given by the Landlord to the Tenant, to cause the same to be repaired, as required by Section 4.5 hereof, within 30 days from the date of the giving of such notice by the Landlord. If the Tenant shall at any time default in the performance or observance of any of the covenants in the Lease for, or relating, to the repair or maintenance of the Premises or any part thereof and such default shall continue for 30 days after notice in writing from the Landlord of default in respect of repair or maintenance of the Premises, then the Tenant shall permit the Landlord and its duly authorized agents and nominees, with or without workmen and others, and without prejudice to the Landlord's right of re-entry, to enter into and upon the Premises and repair and maintain the same at the expense of the Tenant and the Tenant shall afford the Landlord all aid and facilities in doing or causing the same to be done, and shall repay to the Landlord on demand as Additional Rent all costs and expenses in respect of such repairs and maintenance as aforesaid together with an administration fee of 15% of such costs and expenses.

4.7 Business and Trade Fixtures The Tenant may install its usual business and trade fixtures in the usual manner, provided that such installation does not damage the Premises and provided further that the Tenant shall have submitted plans and specifications for such business and trade fixtures to the Landlord and obtained its prior written consent thereto, which consent shall not be unreasonably withheld. All business and trade fixtures owned or installed by the Tenant in or on the Premises shall remain the property of the Tenant and shall be removed by the Tenant at the expiration of the Term or any renewal thereof or at the sooner termination thereof, provided that the Tenant at its expense shall repair any damage to the Premises caused by the installation or removal of same, and provided further that the Tenant shall not be in default under any covenant or agreement contained herein at the time of such removal, and if in default, the Landlord shall have a lien on the Tenant's business and trade fixtures as security against loss or damage resulting from any such default by the Tenant and the Tenant's business and trade fixtures shall not be removed by the Tenant until such default is cured, unless otherwise directed by the Landlord. The Landlord may elect to require the Tenant to remove all or any part of the business and trade fixtures owned or installed by or on behalf of the Tenant at the expiration or termination of the Term or any renewal thereof, in which event such removal shall be done at the Tenant's expense and the Tenant shall at its expense, repair any damage to the Premises caused by the installation or removal of same. If the Tenant does not remove its business and trade fixtures forthwith after written demand by the Landlord, such property shall, if the Landlord elects, be deemed to become the Landlord's property or the Landlord may remove the same at the expense of the Tenant and the costs and expenses of such removal together with an administration fee of 15% of such costs and expenses shall be paid by the Tenant forthwith to the Landlord on written demand, and the Landlord shall not be responsible for any loss or damage to such property as a result of such removal.

4.8 Alterations and Additions The Tenant shall not make any change, alteration, addition or removal to or from the Premises or any part thereof, without in any and every such case having first submitted plans and specifications thereof to the Landlord and having obtained the prior written consent of the Landlord thereto, and, unless otherwise provided by such consent, all such alterations, additions, erections or excavations shall be done either by or under the direction of the Landlord, as the Landlord may determine, but at the cost of the Tenant. All work shall be done in a good and workmanlike manner and at such times and in such manner as the Landlord may approve, and only by contractors or tradesmen approved in writing by the Landlord. The Tenant shall reimburse the Landlord forthwith on demand for all costs and expenses incurred by the Landlord in the review and approval of any plans and specifications by the Landlord's architects and engineers. The Tenant shall obtain and pay for all required building and occupancy permits in respect of its work as aforesaid. The Tenant acknowledges and agrees that the Landlord has not made and makes no warranty or representation as to zoning or bylaw compliance of the Premises for the Tenant's business, all of which have been determined by the Tenant. The Tenant shall, at its own cost and expense, take out or cause to be taken out any additional insurance coverage reasonably required by the Landlord to protect the respective interests of the Landlord and the Tenant during all periods when any such work is being performed. Any and all installations, alterations, additions, partitions, improvements or fixtures other than the Tenant's business and trade fixtures in or upon the Premises, whether placed there by the Tenant or the Landlord or a previous occupant of the Premises, shall, immediately upon such placement, become and shall thereafter remain the property of the Landlord without compensation therefor to the Tenant. Notwithstanding anything herein contained, the Landlord shall be under no obligation to repair, maintain, replace or insure such installations, alterations, additions, partitions and fixtures or anything in the nature of a leasehold improvement made or installed by or on behalf of the Tenant or a previous occupant of the Premises. The Landlord may elect that any or all installations, alterations, additions, partitions, improvements or fixtures made or installed by or on behalf of the Tenant hereunder or under the provisions of any previous lease of the Premises to the Tenant or any other tenants be removed at the expiry or earlier termination of the Term or any renewal thereof and it shall be the Tenant's obligation to restore the Premises to the condition in which they were prior to such alterations, installations, additions, improvements, partitioning and fixturing. Such removal and restoration shall be at the sole expense of the Tenant.

4.9 Use of Premises The Tenant shall:

- (a) not use the Premises nor allow the Premises to be used for any purpose other than that specified in Subsection 1.1(j), nor in any manner inconsistent with such use and occupation, and the Tenant shall occupy the Premises for the purpose aforesaid continuously and without interruption throughout the Term and any renewal thereof;
- (b) not commit or suffer to be committed any waste upon the Premises;
- (c) not use, exercise, or carry on, or permit or suffer to be used, exercised or carried on, in or upon the Premises, or any part thereof, any noxious, noisome or offensive art, trade, business, occupation or calling, or keep, sell, use handle or dispose of any merchandise, goods or things which are objectionable, or by which the Premises or any part thereof may be damaged or injuriously affected;
- (d) not do or permit to be done any act, matter or thing whatsoever in or upon the Premises, or any part thereof, which may result in annoyance, nuisance, grievance, damage or disturbance to any other tenants in the Project or to any

occupiers or owners of any other lands or premises or to the holders of any registered easement, right of way or other encumbrance charging the whole or part of the Project;

- (e) use commercially reasonable efforts not do or permit to be done any act, matter or thing whatsoever in or upon the Premises, or any part thereof that is likely to result in the Project or any part thereof (other than the Premises) being picketed or otherwise subjected to industrial action or demonstrations, political or otherwise, and in the event of such picketing, industrial action or demonstrations, the Tenant shall forthwith take all actions and proceedings necessary to cause such picketing, industrial action and demonstrations to cease without delay;
- (f) not place in the Building any heavy machinery or equipment without first obtaining the consent in writing of the Landlord; and
- (g) immediately advise the Landlord of the presence of, and shall do all things necessary to remove, any dangerous condition from time to time existing on the Premises and arising as a result of the act or omission of the Tenant or any person for whom the Tenant is, at law, responsible.

4.10 Signs The Tenant shall not, at any time, affix or exhibit or permit to be affixed or exhibited upon any part of the Premises any sign, except such as shall have been first reasonably approved in writing by the Landlord and which comply at all times with the requirements of any lawful authority having jurisdiction over the same, provided that if any such sign no longer complies with the terms of the consent given by the Landlord or the requirements of any lawful authority having jurisdiction over the same, then the Landlord, after giving the Tenant 30 days' notice, shall have the right to remove any such sign at the Tenant's expense and the costs, charges and expenses of such removal together with an administration fee of 15% of such costs, charges and expenses shall forthwith be paid by the Tenant to the Landlord. The provisions of Sections 4.6, 4.7 and 4.8 hereof shall also apply to any such signs.

4.11 Rubbish The Tenant shall keep the Premises and any loading areas used by the Tenant clean and tidy and in good order and shall not permit waste or garbage to be placed or accumulate outside of the Premises but shall dispose of such waste or garbage in the manner designated by the Landlord from time to time.

4.12 Window Coverings All window coverings for exterior windows will be subject to the Landlord's prior consent, including without limitation, as to colour, type and material. The Tenant will, throughout the Term, at its own expense, and shall, as required by the Landlord, install, maintain, repair and replace when necessary, all such window coverings, so as to maintain same in a first class condition.

4.13 Abate Nuisance Upon written notice to the Tenant from the Landlord or from any lawful authority having jurisdiction requiring the abatement of any nuisance caused by vibration, noise or offensive smell or by any undue emission of smoke, vapour or dust caused by the Tenant or arising directly or indirectly out of the operations carried on upon the Premises, the Tenant shall forthwith abate such nuisance accordingly.

4.14 Obstruction of Roads The Tenant shall not permit any vehicles owned by or under the control of the Tenant to cause an obstruction on any roadways in or about the Project and the Tenant shall use its best endeavours to ensure that all persons doing business with the Tenant and their servants and workmen shall not permit any vehicles to cause such obstruction as aforesaid and the Tenant shall also use its best endeavours to ensure that vehicles owned by or under the control of the Tenant, its employees or persons doing business with the Tenant shall observe any regulations and instructions made or given by the Landlord or by any other person, corporation or body having authority to make or give such regulations or instructions with regard to the operation and parking of vehicles on the said roadways or other areas provided for the parking of vehicles in the Project.

4.15 Stacking Material The Tenant shall not leave or permit to be left or stack or permit to be stacked any material on the Project, other than in the Premises.

4.16 No Auctions The Tenant shall not permit any sale by auction nor any fire sale, bankruptcy sale, moving sale, going-out-of business sale or bulk sale to be held upon the Premises or any part thereof, other than annual warehouse sales in the ordinary course of business.

4.17 Will Not Terminate Agreements Except where required to do so by the terms of this Lease, the Tenant shall not enter into, amend or terminate any agreement with any public utility corporation or railway company relating to or in any manner whatsoever affecting the Project or the Premises.

4.18 Liens The Tenant shall permit the Landlord to post and shall keep posted in at least two conspicuous places on the Premises any notices which the Landlord may desire to post under the provisions of the *Builders' Lien Act* of British Columbia and any statute which may amend or replace such Statute. If any claim of lien shall be filed against the Project by a contractor or sub-contractor of the Tenant or any other person claiming against the Tenant, the Tenant shall take all necessary steps to have the claim of lien cancelled and discharged from title to the Project within 15 days of the date the Tenant has knowledge of such filing, and the Tenant shall indemnify and save harmless the Landlord from any and all loss, cost, expense, damage and liability in respect of such claim of lien. The Landlord, in addition to any right or remedy, shall have the right, but shall not be obliged, to discharge any claim of lien filed against the Project by paying the amount claimed to be due or by procuring a discharge of such liens by deposit in the appropriate court and in any such event the Landlord shall be entitled, if it so elects, to expedite the prosecution of any action for the enforcement of such claim of lien by the lien claimant and to pay the amount of the judgement, if any, in favour of the lien claimant with interest and costs. In any such event the Tenant shall forthwith pay to and reimburse the Landlord for all money expended by the Landlord and all costs and expenses incurred by the Landlord in respect thereof.

4.19 Entry for Benefit of Adjoining Premises The Tenant shall permit the Landlord, its agents and workmen, and the tenants of any adjoining or neighbouring premises and their respective agents and workmen, to enter upon the Premises at all reasonable times so far as may be necessary or useful in order to construct, examine, repair or rebuild any adjoining or neighbouring premises, or for any other reasonable purpose, provided that the Landlord shall make good all damage occasioned by the exercise of such rights by the Landlord, its agents or workmen, and insofar as any tenant of any adjoining or neighbouring premises and its respective agents and workmen are concerned, no such rights shall be exercisable until such tenant and its agents and workmen shall have covenanted with the Tenant to make good all damage occasioned by the exercise of such rights by those of them concerned.

4.20 Compliance With Laws The Tenant shall do, observe and perform all of its obligations and all matters and things necessary or expedient to be done, observed or performed by the Tenant by virtue of any law, statute, by-law, ordinance, regulation or lawful requirements of any governmental authority or any public utility or railway company lawfully acting under statutory authority and all demands and notices in pursuance thereof whether given to the Tenant or the Landlord and in any manner or degree affecting the Premises, the state of repair or condition thereof, the safety thereof, the use thereof by the Tenant or the exercise or fulfilment of any right or obligation arising under or as a result of this Lease. If any such demand or notice is given lawfully requiring the execution of works, then,

- (a) if such notice is given to the Tenant, the Tenant shall forthwith deliver the same or a true copy thereof to the Landlord and the Tenant shall forthwith, at its own expense, execute to the satisfaction of the Landlord and the person giving such notice all such works as the Landlord may approve in writing in order to comply with the requirements of the said notice; or
- (b) if such notice is given to the Landlord, the Landlord shall notify the Tenant and thereupon the Tenant shall, at its own expense, forthwith execute to the satisfaction of the Landlord and the person giving such notice all such works as the Landlord and the person giving such notice may require in order to comply with the requirements of the said notice.

Notwithstanding the foregoing, the Landlord shall have the right to execute any such works and the Tenant shall afford to the Landlord all necessary access to the Premises and other facilities for that purpose and the Tenant shall, on demand by the Landlord, pay to the Landlord all costs and expenses incurred by the Landlord in executing and performing any and all such works.

4.21 Vacate on Termination Upon the termination of this Lease, whether by the passage of time or otherwise, the Tenant shall vacate and deliver up possession of the Premises in good order and repair and shall inform the Landlord of all combinations of locks, safes and vaults, if any, in the Premises. The indemnity agreements contained in ARTICLE 6 and ARTICLE 8 shall survive the termination of this Lease.

Upon the expiration of the Term or any renewal thereof or at the earlier termination thereof, the Tenant will promptly (and in any case within five days after written notice requiring it to do so) remove at its expense all of its property from the Premises, failing which the Landlord may thereafter remove all or part of the property from the Premises and store it in a public warehouse or elsewhere in Metro Vancouver at the Tenant's expense. The Tenant will at its expense be responsible for all damage to the Premises caused by such removal, excluding that

caused by the negligence or wilful misconduct of the Landlord or any person for whom it is in law responsible. Despite anything to the contrary, the Landlord will not be responsible for loss or damage to any of the Tenant's property regardless of how the loss or damage is caused, even if by the negligence of the Landlord or a party for whom the Landlord is in law responsible. If the Tenant fails to remove its property as required or if the Landlord elects to require the Tenant to not remove its property (as stated below), or if it fails to pay the Landlord's costs of removal and storage within 10 days after written notice specifying those costs, the Tenant agrees that it will be deemed to have abandoned its property and the Landlord will be entitled to remove it at the Tenant's cost or retain or sell or dispose of it for the Landlord's own benefit, as the Landlord in its sole discretion determines. Notwithstanding the foregoing, the Landlord may elect to require the Tenant to not remove its property if the Tenant is in default under any covenant or agreement contained in this Lease at the time of expiration or termination

ARTICLE 5- LANDLORD'S COVENANTS

The Landlord covenants with the Tenant as follows:

5.1 Quiet Enjoyment If the Tenant duly and punctually pays the Rent and duly and punctually performs the covenants herein on its part contained, the Tenant shall be entitled to quiet enjoyment of the Premises, subject to the rights of owners or occupiers of the easements and rights-of-way, if any, now or hereafter registered against title to the Project.

5.2 Common Areas To permit the Tenant and its employees and invitees to have the use in common with all others entitled thereto of the common loading areas and facilities, roadways and garbage areas of the Project and all other common areas and common facilities that are a part of the Project.

5.3 Repair To carry out the repairs which are specified to be the Landlord's responsibility in Section 4.5.

5.4 Maintenance of Common Areas To maintain all common areas within the Project, and the cost of all such maintenance shall form a part of the Operating Costs.

5.5 Payment of Taxes Subject to the Tenant's obligation to pay its Proportionate Share thereof, to pay or cause to be paid the Taxes in respect of the Project.

ARTICLE 6- ENVIRONMENTAL

6.1 Tenant's Covenants, Representations and Warranties The Tenant covenants and agrees with and represents and warrants as follows to the Landlord and acknowledges that the Landlord is relying on such covenants, agreements, representations and warranties in connection with the leasing of the Premises to the Tenant:

- (a) the Tenant has not, at any time, been prosecuted for non-compliance with any laws and the Tenant and all matters relating to its use of premises, its activities, its businesses and its operations have been, and are, in compliance with all laws, ordinances, regulations and requirements, the Tenant has received no notice, requisition, requirement or order relating thereto and the Tenant does not know of or have reasonable grounds to know of any acts, matters or things which may give rise to any notice, requisition, requirement or order being issued in respect of any of the Tenant's activities or the Tenant's proposed, activities, businesses or operations;

- (b) The Tenant shall, at its expense, comply with all laws, ordinances, regulations and requirements including, without limitation, all environmental laws, ordinances, regulations and requirements with respect to:
 - (i) air, water (including surface water and ground water) and noise pollution on, under or about the Premises;
 - (ii) the handling, use, generation, transportation, treatment, storage or disposal of any Hazardous Substances at anytime located on, under or about the Premises; and
 - (iii) obtaining and/or filing all applicable applications, notices, permits, licenses and similar authorizations;
- (c) The Tenant shall not:
 - (i) cause, or permit, any Hazardous Substances to be brought upon, kept, or used in or about the Premises or any other part of the Project by the Tenant, its agents, employees, contractors, invitees or otherwise; or
 - (ii) use in any way, or permit the use of the Premises or any part thereof or of the Project to either directly or indirectly prepare, produce, use, generate, manufacture, refine, treat, transport, store, maintain, handle, dispose of, transfer, process, release or permit any other dealing with, any Hazardous Substances,

without the prior written consent of the Landlord which the Landlord shall not unreasonably withhold so long as the tenant demonstrates to the Landlord's reasonable satisfaction that such Hazardous Substances are necessary or useful for the Tenant to carry out the uses permitted under this Lease and shall be handled, used, and kept in storage, in a manner that strictly complies with all laws, ordinances, regulations and requirements regulating such Hazardous Substances so brought upon or used or kept in or about the Premises;
- (d) The Tenant will not release nor permit the release of any Hazardous Substances into any soil, water courses, culverts, drains or sewers except in accordance with all applicable laws and environmental permits. At its own cost, risk and expense, the Tenant will comply with all applicable laws and environmental permits from time to time in force regulating the manufacture, use, storage, transportation, disposal, release or other dealing with Hazardous Substances by the Tenant, including, without limitation, which the Landlord has consented;
- (e) If any Hazardous Substances is brought onto the Premises or the Project or created upon the Premises or the Project by the Tenant or any person for whom it is in law responsible at any time, including, without limitation, during the Term or any renewal thereof, such Hazardous Substances shall be the sole and exclusive property of the Tenant and not of the Landlord, notwithstanding the degree of affixation of the Hazardous Substances or the goods containing the Hazardous Substances to the Premises or the Project and notwithstanding the expiry or sooner termination of this Lease;
- (f) On or before the expiration or sooner termination of this Lease, the Tenant will remove all Hazardous Substances which have been brought onto or created

upon the Premises or the Project by the Tenant or any other person for whom the Tenant is in law responsible, at any time including, without limitation, during the Term or any renewal, including without limitation any Hazardous Substances which may have been released or deposited into the soil;

- (g) The Tenant will advise the Landlord forthwith of any release of any Hazardous Substances on the Premises or any other part of the Project or any adjacent property and will provide the Landlord with all information, notices, reports and other documents it has regarding such release and the remediation steps being undertaken by the Tenant with respect to the release or as may reasonably be required by the Landlord of the Tenant;
- (h) If the presence of Hazardous Substances on, under or about the Premises results in any contamination of the premises, subject to the Landlord's prior approval, the Tenant shall, at its sole expense, take all actions as are necessary to return the Premises to the condition existing prior to the introduction of any such Hazardous Substances to the Premises and the Landlord shall in no event be in any way liable or responsible for any costs or expenses incurred in so doing;
- (i) If any government authority requires the cleanup of any Hazardous Substances held, released, spilled, abandoned or placed upon the Premises or the Project or any other lands or released, spilled, leaked, pumped, poured, emitted, emptied, discharged, injected, escaped, leached, disposed or dumped into the environment by the Tenant or any person for whom the Tenant is in law responsible in the course of the Tenant's business or as a result of the Tenant's use or occupancy of the Premises or the use and occupancy by any person for whom the Tenant is in law responsible, the Tenant will, at its own risk and expense:
 - (i) prepare all necessary studies, plans and proposals and submit them for approval;
 - (ii) provide all bonds and other security required by any governmental body;
 - (iii) carry out the work required and keep the Landlord fully informed; and
 - (iv) provide to the Landlord full information with respect to proposed plans and comply with the Landlord's reasonable requirements with respect to such plans.

The Tenant further agrees that if the Landlord determines, acting reasonably, that the Project, the Landlord or the Landlord's reputation is placed in any jeopardy by the requirements for any such work, the Landlord may itself undertake such work or any part thereof at the reasonable cost and expense of the Tenant which cost shall be paid by the Tenant within 30 days after receipt of an invoice on account of such cost.

- (j) The covenants, representations and warranties of the Tenant contained in this Lease shall continue throughout this Lease, and shall survive the expiration or earlier termination of this Lease, and, notwithstanding such expiration or

termination, and regardless of any investigation with respect thereto, shall continue in full force and effect for the benefit of the Landlord.

6.2 Landlord's Additional Remedies Should the Tenant at any time default in or fail to perform or observe any of its obligations or agreements pursuant to this Section 4.13, the Landlord shall, in addition to the other rights and remedies of the Landlord under this Lease, have the right, but not the duty to:

- (a) perform, at the expense of the Tenant, the obligations or agreements in respect of which the Tenant defaulted;
- (b) recover from the Tenant any and all loss and expense associated with the said default; and/or
- (c) terminate this Lease;

and the Tenant agrees to pay to the Landlord, on demand, all costs and expenses incurred by the Landlord in connection therewith, including without limitation all solicitors' fees.

6.3 Environmental Indemnity The Tenant hereby agrees, at its sole cost and expense, to indemnify, protect, hold harmless and defend (with counsel of Landlord's choice) the Landlord, the Landlord's successors and assigns, and their respective directors, officers, agents, solicitors and employees (collectively the "Indemnitees") from and against all loss and expense and from and against all claims, demands, actions, suits or other proceedings, judgements, damages, penalties, fines, costs and liabilities (including, without limitation, any reduction in the market value of the Premises and damages for loss or restriction in use of leasable or usable space or of any amenity of the Premises) which are in any manner based upon, arise out of or are connected with the presence or suspected presence of any Hazardous Substances in the soil, groundwater, soil vapour or elsewhere on or under the Premises or other contamination except to the extent that the Hazardous Substances or other contaminants are present due to the negligence or wilful misconduct of the Landlord, other tenants of the Property or previous occupiers of the Premises or the land of which they form a part. This indemnity includes, without limitation, damages arising from any adverse impact on marketing of space, and sums paid in settlement of claims, legal fees, consultant fees and expert fees which arise during or after the Term of this Lease and costs incurred in connection with any investigation of site conditions or any clean-up, remedial, removal or restoration work required by any federal, provincial or municipal government agency, be it a result of waste, an unhealthful, hazardous or dangerous condition caused by, contributed to or aggravated by the Tenant or any subtenant's violation of any laws, ordinances, regulations, or requirements pertaining to solid or other wastes, chemicals, oil and gas, toxic, corrosive or Hazardous Substances, air, water (surface or groundwater), noise pollution or otherwise and the storage, handling, use or disposal of any such material. The Tenant hereby expressly agrees that this indemnity shall survive the expiration or earlier termination of this Lease and that any statutory limitation periods on actions to enforce these obligations shall not be deemed to commence until the Landlord discovers any such circumstances as may give rise to their enforcement and the Tenant hereby knowingly and voluntarily waives the benefits of any shorter limitation periods.

ARTICLE 7- DISPOSITIONS

7.1 Assignment and Subletting

- (a) The Tenant shall not assign this Lease or any interest therein, nor sublet the Premises or any part thereof, nor part with or share possession of all or any part of the Premises, without the prior written consent of the Landlord, such consent not to be unreasonably withheld.
- (b) If the Tenant herein is a private corporation any sale or other disposition of its shares or securities resulting in a change of control or beneficial ownership will be deemed to be an assignment of this Lease for the purposes of this Section 7.1.
- (c) Notwithstanding and without prejudice to any other provision herein, in the event that the Tenant desires to assign, sublet or part with or share possession of all or any part of the Premises, or to transfer this Lease in any other manner, in whole or in part, or to transfer any estate or interest thereunder, then, and so often as such event shall occur, the Tenant shall give prior written notice to the Landlord of such desire, specifying therein the proposed assignee, transferee, sublessee or occupier and shall provide to the Landlord such information on the nature of the business of the proposed assignee, transferee, sublessee or occupier and its financial responsibility and standing as the Landlord may reasonably require and the terms and conditions of the proposed assignment, transfer, sublease or possession and shall deliver to the Landlord a copy of the assignment, transfer or sublease intended to be executed by the Tenant and the assignee, transferee or subtenant. Upon the receipt of such notice and information from the Tenant, the Landlord shall (unless the proposed sub-lessee or assignee is [and is intended to remain] related to the Lessee for the purposes of the *Income Tax Act* of Canada) have the right, exercisable in writing within fourteen (14) days after such receipt, to cancel and terminate this Lease if the request is to assign this Lease or to sublet all of the Premises or, if the request is to assign or sublet a portion of the Premises only, to cancel and terminate this Lease with respect to such portion, in each case as of the date set forth in the Landlord's notice of exercise of such right, which shall be neither less than 60 nor more than 120 days following delivery of such notice. If the Landlord shall exercise such right, the Tenant shall surrender possession of the entire Premises or the portion which is the subject of the right, as the case may be, on the date set forth in such notice in accordance with the provisions of this Lease relating to condition of the Premises at the expiration of the Term. If this Lease shall be cancelled as to a portion of the Premises only, the Rent payable by the Tenant under this Lease shall be abated proportionately. If the Landlord shall not exercise the right to cancel this Lease as above provided after the receipt of the Tenant's notice, then, within 30 days after receipt of such notice, the Landlord shall notify the Tenant in writing, that:
 - (i) it consents, or
 - (ii) it does not consent as aforesaid to the assignment, transfer, subletting or parting with or sharing possession as the case may be.

- (d) When requesting consent, the Tenant shall provide or cause the proposed assignee, subtenant or occupier to provide to the Landlord all available information as to the responsibility, reputation, financial standing and business experience of the proposed assignee, subtenant or occupier, and no assignment, sublease or occupation by another person shall be made other than to responsible persons, firms, partnerships or bodies corporate, of good repute and financial standing, who are experienced in and satisfy the Landlord that they will carry on the type of business conducted in the Premises by the Tenant without diminution of the standard of operation or quality of goods, merchandise or service offered.
- (e) No such assignment, transfer, subletting or parting with or sharing possession shall:
 - (i) in any manner release the Tenant from its obligations for the payment of the Rent and the observance and performance of the covenants, terms and conditions herein provided; or
 - (ii) be made to any person, firm, partnership, or corporation carrying on any business which the Landlord is obliged to restrict by reason of any other lease or contract relating to any other premises in the Project.
- (f) The Tenant shall not permit any part of the Premises to be used or occupied by any persons other than the Tenant or any subtenants permitted under Subsection 7.1(b) and the employees of the Tenant and of any such permitted subtenant, and shall not permit any part of the Premises to be used or occupied by any licensee or concessionaire, or permit any persons to be upon the Premises other than the Tenant, such permitted subtenants, and their respective employees, customers and others having legitimate business with them.
- (g) The Tenant shall insert in every permitted sublease of the Premises a covenant by the sublessee with the sublessor to produce to the Landlord, within one month immediately following the making thereof, a copy of every assignment of the sub-demised premises or any part thereof made by the sublessee or the persons deriving title under it.
- (h) The Basic Rent payable by the assignee (in the case of an assignment) or the Tenant (in the case of a sublease or occupation by another person) shall be increased to the current market rental rates at the time of the proposed assignment, sublease or occupation by another person. Where the assignment, sublease or occupation by another person relates to a part only of the Premises, the references to Basic Rent shall be adjusted proportionally on an area basis.
- (i) The Tenant shall, at the request of the Landlord, require any assignee of the interest of the Tenant hereunder, at the time of such assignment, to enter into a written agreement with the Landlord whereby the assignee covenants and agrees with the Landlord to observe and perform all of the covenants, agreements, provisos, terms and conditions of this Lease, provided that if the Tenant fails to require the assignee to enter into such a written agreement at the Landlord's request the Landlord may refuse to grant its consent to the assignment, or where such consent is not required the assignment shall not be effective until such written agreement is executed by the assignee. Without in

any way restricting the generality of the Landlord's right to refuse to consent to an assignment or subletting, the Landlord may refuse to grant its consent to an assignment or subletting in the event that this Lease is not in good standing.

- (j) The Tenant shall, forthwith upon demand by the Landlord, pay to or reimburse to the Landlord an administration fee of \$750.00 or such other greater fee as the Landlord may reasonably charge from time to time together with all solicitors' fees and all other costs, charges, and expenses incurred by the Landlord in connection with the Tenant's request for consent to any assignment, subletting or parting with or sharing of possession.
- (k) The Tenant shall pay to the Landlord all profits received by the Tenant from a subtenant under any assignment or sublease herein.

7.2 Registered Charges The Tenant shall:

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- (a) not mortgage or charge its leasehold interest in the Premises or its fixtures, ~~chattels, furniture, equipment or inventory~~ without the Landlord's prior written consent; and
- (b) pay all money owed by it under any conditional sale agreement or other charge registered or filed against the Project, and immediately upon all of the payments having been made thereunder, the Tenant shall obtain a memorandum of satisfaction or other appropriate document of discharge and shall register the same at its own expense in the proper land title office or other appropriate office of public record as the Landlord may require to discharge the same from the title to the Project.

7.3 Subordination This Lease is and shall be subject, subordinate and postponed to all mortgages, including any debentures and any deeds of trust and mortgages securing bonds and all indentures supplemental thereto (herein collectively called the "Mortgages") which may now or hereafter charge the Project or any part thereof, and to all renewals, modifications, consolidations, replacements and extensions of the Mortgages, to the intent that, without execution of any document other than this Lease, the Mortgages and all renewals, modifications, consolidations, replacements and extensions thereof shall have priority over this Lease notwithstanding the respective dates of execution or registration thereof. Without limiting the generality of the foregoing, the Tenant agrees to execute promptly any document in confirmation of such subordination, postponement and priority which the Landlord may request and the Tenant hereby irrevocably constitutes and appoints the Landlord the agent and attorney of the Tenant for the purpose of executing any such document and of making application in the name of the Tenant at any time and from time to time to register postponements of this Lease in favour of any of the Mortgages or any renewal, modification, consolidation, replacement or extension of any of the Mortgages in order to give effect to the foregoing provisions of this paragraph. Provided however, the subordination and postponement of this Lease to any of the Mortgages shall not be effective with respect to a specific Mortgage unless and until the Landlord's Mortgagee holding such Mortgage shall confirm in writing to the Tenant that the Tenant shall have the right, if not in default under this Lease, to remain in possession of the Premises in accordance with the terms of this Lease in the event such Landlord's Mortgagee obtains title to the Premises by way of foreclosure or otherwise.

7.4 Attornment Whenever required by any of the Landlord's Mortgagees under any of the Mortgages, the Tenant shall attorn to and become a tenant or licensee of such Landlord's Mortgagee or a tenant of any purchaser from such Landlord's Mortgagee in the event of an exercise by such Landlord's Mortgagees of the power of sale in any of the Mortgages set out, for the then unexpired residue of the Term upon all of the terms and conditions hereof.

7.5 Estoppel Certificate The Tenant shall, at any time and from time to time upon seven business days prior notice from the Landlord, execute and deliver to the Landlord or the Landlord's Mortgagees or a prospective purchaser of the Project or the whole or any portion of the Landlord's interest in the Project, a statement in writing confirming the terms of this Lease, certifying that this Lease is unmodified and in full force and effect (or, if modified, stating the modifications and that the same is in full force and effect as modified), the amount of the Rent then being paid hereunder, the dates to which the Rent and other charges hereunder have been paid, that the Landlord has complied with all the terms of this Lease, that the Premises are acceptable to the Tenant, that the Tenant shall not amend, modify or surrender this Lease or make any prepayment of the Rent other than the Rent for the current month without the prior written consent of the Landlord's Mortgagees, that there are no outstanding set-offs or enquiries disclosed or undisclosed as between the Landlord and the Tenant, that no money other than a maximum of one month's Rent in accordance with the provisions of the Lease has been prepaid by the Tenant to the Landlord, that the Tenant is aware of the assignment by the Landlord to the Landlord's Mortgagees of all Rent under this Lease, and any other matters pertaining to this Lease in respect of which the Landlord may desire certification.

7.6 Exhibit Premises The Landlord shall have the right to exhibit the Premises to:

- (a) prospective tenants or sub-tenants during the six month period prior to the Expiry Date and any renewal of the Term; and
- (b) the Landlord's Mortgagees and prospective mortgagees and any prospective purchaser of the whole or any part of the Landlord's interest in the Project,

and for such purposes the Landlord shall have the right of entry to the Premises at any reasonable time and the Tenant, at its option, may have a servant or agent present at the time of such entry.

7.7 Registration of Lease The Tenant covenants and agrees with the Landlord that the Landlord shall not be obliged to execute or deliver this Lease in form registrable under the *Land Title Act* of British Columbia or any other statute of the Province of British Columbia and that the Tenant shall not register this Lease or any claim based thereon. All costs and expenses in connection with registration of this Lease (if permitted by the Landlord) and any plans required for registration shall be borne by the Tenant. The Landlord agrees to provide written notice of this Lease to any prospective purchaser of the Project or any portion thereof.

ARTICLE 8 - INSURANCE AND INDEMNIFICATION

8.1 Tenant's Insurance

- (a) The Tenant shall at its expense, during any period that the Tenant occupies the Premises, including during the Term of this Lease or any extension or renewal thereof, provide and maintain in full force and effect:
 - (i) "all risks" insurance on an all risks form, including flood, earthquake and sewer backup covering all merchandise, stock-in-trade, furniture, fixtures,

equipment, leasehold improvements and other property of every kind and description located at the Premises, owned by the Tenant or for which the Tenant is responsible or legally liable, in an amount at least equal to the full insurable value thereof, calculated on a replacement cost basis;

- (ii) "comprehensive form" boiler and machinery insurance upon any boilers, pressure vessels or mechanical equipment located at the Premises in such amount as the Landlord may reasonably require from time to time;
 - (iii) automobile liability insurance to a limit of liability of not less than Five Million Dollars (\$5,000,000) in any one accident, covering all licensed motor vehicles owned by the Tenant and used in connection with its business carried on from the Premises;
 - (iv) comprehensive bodily injury and property damage liability insurance applying to the operations of the Tenant carried on from the Land and the Premises and which shall include, without limitation, personal injury liability, product liability, contractual liability, non-owned automobile liability and protective liability with respect to the occupancy of the Premises by the Tenant; and such insurance shall be written for an amount of not less than Five Million Dollars (\$5,000,000) per occurrence, or such higher amount as the Landlord may from time to time reasonably require;
 - (v) tenant's all risks legal liability insurance in an amount not less than the replacement cost of the Premises;
 - (vi) business interruption insurance in such form and amount as will provide payment to the Landlord of the Rent payable hereunder for at least twelve (12) months in the event of an interruption of the Tenant's business due to an insurable hazard. **However, the Landlord agrees that if the cost to maintain business interruption insurance is determined by the Tenant, acting reasonably, to be too expensive then the Tenant may self-insure for this Section 8.1(a)(vi); and**
 - (vii) any other form or forms of insurance as the Landlord may reasonably require from time to time in amounts and for perils against which a prudent tenant acting reasonably would protect itself in similar circumstances;
- (b) all insurance shall be effected with insurers and brokers and upon terms and conditions satisfactory to the Landlord, and shall contain insurance against all perils and hazards normally covered by standard policies in British Columbia, and all coverage mentioned in Section 8.1(a) above;
 - (c) all policies of insurance referred to in this Section 8.1 shall include the following provisions:
 - (i) the policies shall not be affected or invalidated by any act, omission or negligence of any person which is not within the knowledge or control of the insured thereunder;

- (ii) all property damage policies written on behalf of the Tenant shall contain a waiver of any subrogation rights which the Tenant's insurer(s) may have against the Landlord and/or the Property Manager and against those for whom the Landlord and/or the Property Manager are/is, in law, responsible, whether any insured loss or damage is caused by the act, omission or negligence of the Landlord and/or Property Manager or by those whose acts the Landlord and/or Property Manager are/is, in law, responsible or otherwise;
 - (iii) all policies of liability insurance shall include the Landlord, the Property Manager and any persons, firms or corporations affiliated with the Landlord or Property Manager and designated by the Landlord, as additional insureds and shall contain a cross liability clause and provide that each person, firm or corporation insured under such policies shall be insured in the same manner and to be the same extent as if separate policies had been issued to each; and if the Landlord consists of a partnership, each of the partners, as the Landlord so advises, must be named; and
 - (iv) all policies shall contain an undertaking by the insurers to give the Landlord not less than thirty (30) days' prior written notice of any cancellation or other termination thereof, or any change which restricts or reduces the coverage afforded thereby;
- (d) the Tenant agrees that certificates of insurance or, if required by the Landlord or any of the Landlord's mortgagees, certified copies of each policy, will be delivered to the Landlord as soon as practicable after the placing thereof. The Tenant shall, when required by the Landlord, forthwith provide to the Landlord evidence that all premiums for all insurance policies have been paid;
- (e) for good and valuable consideration, the Tenant does hereby release and relieve the Landlord and those persons for whom the Landlord is, in law, responsible, from liability and responsibility for, and waives its entire claim for recovery of any loss or damage whatsoever arising out of or incident to the occurrence of any of the perils covered by, or which would be covered by, the insurance policies which the Tenant is obligated to obtain and maintain in force under the terms of this Lease, except to the extent that any such loss or damage is caused by the gross negligence or wilful misconduct of the Landlord or those persons for whom the Landlord is, in law, responsible;
- (f) the Tenant shall not do or permit anything to be done upon the Land, the Building or the Premises whereby any policy of insurance against loss or damage to the Project, the Land, the Building or the Premises or against legal liability for damage to persons or property caused by the ownership, maintenance, use or occupancy of the Project, the Land, the Building or the Premises, or by reason of the conduct of any business carried on thereon, may be invalidated and, for such purpose, upon receipt of notice in writing from any insurer of the Land, the Building or the Premises requiring the execution of works or a discontinuance of any operations in order to correct such situation, the Tenant shall comply therewith;

- (g) the Tenant agrees that if the Tenant fails to take out or keep in force any insurance coverage referred to in this Section 8.1, or if any such insurance is not approved by the Landlord and the Landlord's mortgagees, and the Tenant does not rectify the situation within seventy-two (72) hours after written notice by the Landlord to the Tenant setting forth the Landlord's objections, then the Landlord shall have the right, without assuming any obligation in connection therewith, to effect such insurance coverage and shall have the right to recover all costs and premiums incurred in effecting such insurance coverage from the Tenant as Additional Rent; and
- (h) the Tenant shall not do or permit to be done any act or thing which may render void or voidable or conflict with the requirements of any policy or policies of insurance, including any regulations of fire insurance underwriters applicable to such policy or policies, whereby the Premises or the Building are insured and the Tenant shall not do or permit to be done any act or thing which may cause any increase in premium to be paid in respect of any such policy. In the event that any such policy is cancelled by or threatened to be cancelled by the insurer by reason of any act or omission of the Tenant and is not reinstated or replaced by the Tenant forthwith and in any event before the cancellation is effected, the Landlord shall have the right at its option to terminate this Lease forthwith by giving notice of termination to the Tenant, and in the event that the premium to be paid in respect of any such policy is increased by any act or omission of the Tenant, the Tenant shall pay to the Landlord the amount by which said premium shall be so increased, forthwith upon written notice, which shall be considered Additional Rent hereunder.

8.2 Landlord's Insurance Except as may be otherwise provided in this Lease and to the extent that such insurance coverage shall be available at a reasonable cost acceptable to the Landlord, the Landlord shall, during the Term and any renewal thereof, take out and maintain in full force and effect insurance against all risks of physical loss or damage to the Building, and such fixtures and improvements as the Landlord shall determine, including the perils of flood and earthquake and including business interruption or loss of rental income insurance, in amounts equal to the full insurable value thereof, calculated on a replacement cost basis, and subject to such deductibles as the Landlord may reasonably determine. Provided however, the full insurable value shall not include, and the insurance shall not cover, any property of the Tenant, whether owned by the Tenant or held by it in any capacity, nor leasehold improvements whether made by or on behalf of the Tenant.

- (b) The Landlord may, but shall not be obligated to, take out and carry any other form or forms of insurance as the Landlord or the Landlord's Mortgagees may consider advisable or beneficial, including, without limiting the foregoing, comprehensive liability insurance and boiler and machinery insurance.
- (c) The costs of taking out and maintaining in force all insurance as contemplated in this Section 8.2 shall form a part of Operating Costs. Notwithstanding any contribution by the Tenant to any insurance costs as provided for herein, no insurable interest shall be conferred upon the Tenant under policies carried by the Landlord.

8.3 Indemnify Landlord The Tenant shall indemnify and save harmless the Landlord and the Property Manager from and against any and all manner of actions or causes of action, damages, costs, loss or expenses of whatever kind which the Landlord or Property Manager may sustain, incur or be put to by reason of or arising out of this Lease, or any act or omission of the Tenant or any persons for whom the Tenant is, at law, responsible, or from the use or occupation of the Premises in whole or in part and without limiting the generality of the foregoing, from the non-observance or non-performance by the Tenant, or any persons for whom the Tenant is, at law, responsible, of any of the obligations imposed under the provisions of any laws, ordinances, regulations or requirements of any federal, provincial, municipal or other authorities, or any of the covenants and agreements contained in this Lease to be observed and performed by the Tenant, and such liability to indemnify and save harmless shall survive any termination of this Lease, and the expiry of the Term or any renewal thereof, anything in this Lease to the contrary notwithstanding.

8.4 Damage or Injury The Landlord shall not be liable for any personal injury, death or property loss or damage sustained by the Tenant, or its employees, agents, sublessees, licensees or those doing business with it in the Premises or anywhere in the Project, no matter how caused, and the Tenant shall indemnify the Landlord against all actions or liabilities arising out of such personal injury, death or property damage or loss. The Tenant hereby releases the Landlord and its officers, agents and employees from all claims for damages or other expenses arising out of such personal injury, death or property loss or damage. Without limiting the foregoing, the Landlord shall not be liable for any personal injury, death or property loss or damage sustained by the Tenant or its employees, agents, sublessees, licensees or invitees in the Premises or anywhere in the Project caused by theft or breakage or by steam, water, rain, snow, radioactive materials, microwaves, deleterious substances, gases, pollutants or any other materials or substances which may leak into, issue or flow from any part of the Project or any adjacent or neighbouring lands and premises or from the water, steam or drainage pipes or plumbing works of the same or from any place, or any loss or damage caused by or attributable to the condition or arrangements of any electric or other wiring or any damage caused by anything done or omitted to be done by any other tenant or occupant of the Project, and the Tenant shall indemnify the Landlord against all actions or liabilities arising out of such personal injury, death or property damage or loss. The Tenant hereby releases the Landlord and its officers, agents and employees from all claims for damages or other expenses arising out of such personal injury, death or property loss or damage.

8.5 Tenant Responsible for Damages Without limiting any other provision of this Lease, the Tenant acknowledges and agrees that it will be solely responsible, at its own cost, for repairing any and all damage, including without limitation replacement of broken windows, caused to the Project by the Tenant, its employees, agents, contractors, customers, invitees or other persons for whom the Tenant is responsible in law. The Landlord, at its sole option, may elect to repair any such damage which occurs and will be entitled to recover all reasonable costs incurred in completing such repairs from the Tenant. The Tenant shall pay to the Landlord the cost of such repairs forthwith upon demand by the Landlord and the Landlord will have the same remedies available to it if the Tenant fails to pay such amounts as it has for rent in arrears.

ARTICLE 9 DEFAULT

9.1 Re-entry on Default If:

- (a) any payments of the Rent or any part thereof, whether the same are demanded or not, are not paid when they become due;

- (b) there is any breach, non-observance or non-performance of any covenant, agreement, stipulation, proviso, condition, rule or regulation herein contained on the part of the Tenant to be kept, performed or observed hereunder, and any such breach, non-observance or non-performance shall continue for 15 days after written notice thereof to the Tenant by the Landlord;
- (c) the Premises shall be vacated or remain unoccupied for 30 days;
- (d) the Term or any renewal thereof or any of the goods and chattels of the Tenant shall at any time during the Term or any renewal thereof be seized or taken in attachment by any creditor of the Tenant;
- (e) a writ of execution, sequestration or extent shall issue against the goods and chattels of the Tenant;
- (f) ~~the Tenant shall execute any chattel mortgage or bill of sale of its goods and chattels (other than one incidental to any public issue of bonds, debentures or other securities of the Tenant or to any reorganization of the Tenant or its amalgamation with any other company);~~
- (g) any petition or other application is presented to any court of competent jurisdiction for the dissolution, liquidation or winding up of the Tenant or for the appointment of a receiver or receiver and manager;
- (h) the Tenant or Indemnifier shall become bankrupt or insolvent or take the benefit of any statute now or hereafter in force for bankrupt or insolvent debtors;
- (i) if the Premises shall be used for any purpose other than that for which they were let without the prior written consent of the Landlord; or
- (j) the Tenant or the Indemnifier shall make an assignment for the benefit of creditors or shall make any sale or other disposition of its goods and chattels pursuant to or which should legally have been done pursuant to any legislation relating to bulk sales (except one incidental to any reorganization of the Tenant, if any, or its amalgamation with any other company),

then and in any such event:

- (k) the Landlord, in addition to any other remedy now or hereafter provided, may re-enter and take possession immediately of the Premises or any part thereof in the name of the whole by force if necessary without any previous notice of intention to re-enter and may remove all persons and property therefrom and may use such force and assistance in making such removal as the Landlord may deem advisable to recover at once full and exclusive possession of the Premises and such re-entry shall not operate as a waiver or satisfaction, in whole or in part, of any right, claim or demand arising out of or connected with any breach, non-observance or non-performance of any covenant or agreement on the part of the Tenant to be kept, observed or performed; and
- (l) an amount equal to three months' instalments of Annual Basic Rent and Additional Rent (to be determined at the rates last payable by the Tenant excluding consideration for abatements) and any additional amounts owing under the Lease will immediately become due and payable and will be recoverable by

the Landlord as if it were Rent in arrears, but the Tenant will remain liable under this Lease.

9.2 Sale and Reletting Upon the Landlord becoming entitled to re-enter upon the Premises under any of the provisions of this Lease, the Landlord, in addition to all other rights and remedies, shall have the right to enter the Premises as the agent of the Tenant, either by force or otherwise, without being liable for any prosecution therefor, and to relet the Premises as the agent of the Tenant, and to receive all rent therefor, and as agent of the Tenant to take possession of any business and trade fixtures of the Tenant and any goods and property whatsoever on the Premises and to sell the same at public or private sale without notice and to apply the proceeds of such sale and any rent derived from reletting the Premises, after deducting its costs of conducting such sale and its costs of reletting, to payment of the Rent due under this Lease, and the Tenant shall be liable to the Landlord for any deficiency.

9.3 Termination Upon the Landlord becoming entitled to re-enter upon the Premises under any of the provisions of this Lease, the Landlord, in addition to all other rights and remedies, shall have the right to determine forthwith this Lease and the Term or any renewal thereof by giving notice in writing addressed to the Tenant of its intention so to do, and thereupon the Rent shall be computed, apportioned and paid in full to the date of such determination of this Lease, the Tenant shall pay any other amounts for which the Tenant is liable under this Lease pursuant to Section 9.1, the Tenant shall forthwith deliver up possession of the Premises to the Landlord and the Landlord may re-enter and take possession of the Premises.

9.4 Distress Whensoever the Landlord shall be entitled to levy distress against the goods and chattels of the Tenant it may use such force as it may deem necessary for the purpose and for gaining admission to the Premises without being liable for any action in respect thereof or for any loss or damage occasioned thereby and the Tenant hereby expressly releases the Landlord from all actions, proceedings, claims or demands whatsoever for or on account of or in respect of any such forcible entry or any loss or damage sustained by the Tenant in connection therewith. The Tenant waives and renounces the benefit of any present or future statute taking away or limiting the Landlord's right of distress, and covenants and agrees that notwithstanding any such statute none of the goods and chattels of the Tenant on the Premises at any time during the Term or any renewal thereof shall be exempt from levy by distress for Rent in arrears.

9.5 Payments by Landlord Regarded as Rent If the Tenant shall fail to observe or perform any of the covenants or obligations of the Tenant under or in respect of this Lease the Landlord may from time to time at its discretion perform or cause to be performed any of such covenants or obligations or any part thereof, and for such purpose may do such things as may be requisite and may enter upon the Premises to do such things and all costs and expenses incurred and expenditures made by or on behalf of the Landlord shall be forthwith paid by the Tenant to the Landlord and if the Tenant fails to pay the same the Landlord may add the same to the Rent and recover the same by all remedies available to the Landlord for the recovery of Rent in arrears, provided that if the Landlord commences or completes either the performance or the causing to be performed of any of such covenants or obligations or any part thereof, the Landlord shall not be obliged to complete such performance or causing to be performed or be later obliged to act in like fashion. If the Landlord shall suffer or incur any damage, loss, cost or expense whatsoever for which the Tenant is in any way liable hereunder, by reason of any failure of the Tenant to observe or comply with any of the covenants or agreements of the Tenant herein contained, then in every such case the amount of any such damage, loss, cost or expense shall be due and payable by the Tenant to the Landlord on demand by the Landlord and the Landlord shall have the right, at its option, to add the cost or amount of any such damage, loss, cost or expense to the Rent hereby reserved and any such amount shall thereupon immediately be due and payable as Rent and recoverable by the Landlord by all remedies available to the Landlord for the recovery of Rent in arrears.

9.6 Landlord's Expenses Enforcing Lease If it shall be necessary for the Landlord to retain the services of any person for the purpose of assisting the Landlord in enforcing any of its rights hereunder or otherwise available at law, the Landlord shall be entitled to collect from the Tenant the cost of all such services including, but not limited to, all legal fees and disbursements incurred in enforcing the Landlord's rights hereunder and in connection with all necessary court proceedings at trial or on appeal on a solicitor and own client basis, as if the same were Rent reserved and in arrears hereunder.

9.7 Remedies Cumulative No remedy conferred upon or reserved to the Landlord under this Lease, by statute or otherwise, shall be considered exclusive of any other remedy, but the same shall be cumulative and shall be in addition to every other remedy available to the Landlord and all such remedies and powers of the Landlord may be exercised concurrently and from time to time and as often as the Landlord deems expedient.

9.8 No Waiver

- (a) The failure of the Landlord to exercise any right or option in connection with any breach or violation of any term, covenant or condition herein contained shall not be deemed to be a waiver or relinquishment of such term, covenant, or condition or any subsequent breach of the same or any other term, covenant or condition herein contained. The subsequent acceptance of the Rent or any portion hereunder by the Landlord shall not be deemed to be a waiver of a preceding breach by the Tenant of any term, covenant or condition of this Lease other than the failure of the Tenant to pay the particular amount of the Rent so accepted, regardless of the Landlord's knowledge of such preceding breach at the time of acceptance of such amount of the Rent.
- (b) The acceptance of any of the Rent from, or the performance of any obligation hereunder by, a person other than the Tenant shall not be construed as an admission by the Landlord of any right, title or interest of such person as a

subtenant, assignee, transferee or otherwise in the place and stead of the Tenant.

- (c) The acceptance by the Landlord of a part payment of any money required to be paid hereunder shall not constitute waiver or release of the right of the Landlord to payment in full of such money.

9.9 **Interest** Interest on any money due to the Landlord under this Lease shall be paid by the Tenant and shall accrue at the rate of 3% above the prime rate being charged by the Royal Bank of Canada, Main Branch, Vancouver, B.C. as its "prime rate" to its most favoured customer at the time such money became due, such rate of interest to be calculated and compounded monthly, not in advance, from the respective date upon which any such money becomes due to the Landlord.

ARTICLE 10 DAMAGE AND DESTRUCTION/EXPROPRIATION

10.1 Damage and Destruction

- (a) If all or any part of the Premises is damaged by fire or other casualty thereby rendering all or a portion of the Premises unusable by the Tenant, then the Annual Basic Rent shall abate, in the proportion that that part of the Premises which is rendered unusable bears to the whole of the Premises, but only to the extent that the Annual Basic Rent is covered by insurance and paid to the Landlord.
- (b) Except as provided in Subsection 10.1(c) hereof, if the Premises are damaged by fire or other casualty insured against by the Landlord hereunder, then the damage to the Premises shall be repaired by the Landlord at its expense except that repairs to installations, alterations, additions, partitions, improvements and fixtures made by or on behalf of the Tenant or any previous Tenant or occupant of the Premises or any part thereof shall be performed by the Tenant or, at the option of the Landlord, shall be performed by the Landlord at the expense of the Tenant. All repairs which the Landlord is required to make hereunder shall be made with due diligence, provided that the Landlord shall not be liable to the Tenant for any loss or damage suffered by the Tenant as a result of any delay which may arise by reason of adjustment of insurance on the part of the Landlord or on account of labour troubles or any other cause beyond the Landlord's control. The Tenant shall, out of its own money, make up any deficiency necessary to repair, rebuild or make fit the Premises for the purposes of the Tenant, as follows:
 - (i) to the extent to which insurance coverage required to be placed under this Lease is unobtainable by the Landlord or is only obtainable at a cost which the Landlord considers unreasonable; and
 - (ii) to the extent of the amount of any deductible contained in any insurance policy effected by the Landlord pursuant to its covenant to insure herein contained.
- (c) If any damage or destruction to the Premises or to the Project cannot in the Landlord's opinion, be repaired and restored with reasonable diligence within 120 days of the date of happening of such damage or destruction, the Landlord may

terminate this Lease and the tenancy hereby created by giving to the Tenant sixty (60) days written notice thereof and in the event of such termination, the Lease shall terminate and the Rent shall be adjusted as of the date of the occurrence of such damage or the date the Tenant properly ceases to conduct its business from the Premises, whichever is later, and the Tenant shall deliver up vacant possession of the Premises on the date specified in the notice and the provisions of Section 4.8 shall apply. If the Building is damaged as aforesaid and the Landlord does not give notice as aforesaid, then the Landlord shall diligently proceed to repair the Building, excluding installations, additions, partitions, improvements and fixtures made by or on behalf of the Tenant or any previous tenant or occupant of the Premises, subject to any reasonable delay which may arise by reason of adjustment of insurance on the part of the Landlord or on account of labour troubles or any other cause beyond the Landlord's control. If the Building, excluding installations, additions, partitions, improvements and fixtures made by or on behalf of the Tenant or any previous tenant or occupant of the Premises, is not repaired within nine months from the time of the fire or other casualty causing the damage (subject to such time period being extended by the length of any reasonable delay which may arise by reason of adjustment of insurance on the part of the Landlord or on account of labour troubles or any other cause beyond the Landlord's control), then the Tenant may, at its option, to be exercised within 10 days of the termination of the said period of nine months or the termination of such later period as extended hereby) by notice in writing, terminate this Lease. Upon the termination of this Lease by the Landlord as provided in this Subsection 10.1(c) the Tenant's liability for the Rent shall cease as of the day following the fire or casualty, but in the event of the termination of this Lease by the Tenant as provided in this Subsection 10.1(c) the Rent shall be due and payable for the period of time up to the date of the termination of this Lease by the Tenant.

10.2 Expropriation

- (a) Total Expropriation of the Premises - If the whole of the Premises is expropriated, then the Term shall terminate, as of the date of title vesting in the expropriating authority and rent shall be adjusted to the date of termination.
- (b) Partial Expropriation of the Premises - If only part of the Premises is expropriated, and such expropriation in the opinion of the Landlord, acting reasonably, renders the Premises unusable for the business of the Tenant, then the Term shall terminate as of the date of title vesting in the expropriating authority. If such expropriation is not extensive enough to render the Premises unusable for the business of the Tenant, then the Landlord shall promptly restore the unexpropriated part of the Premises to a condition comparable to its condition immediately prior to such expropriation limited to the extent of any expropriation proceeds recovered by the Landlord and this Lease shall continue in full force and effect except that after the date of such title vesting the Annual Basic Rent payable pursuant to Section 1.1(i) and ARTICLE 3 hereof shall be reduced as reasonably determined by the Landlord. If the Tenant disagrees with the Landlord's reduction of Annual Basic Rent, the Tenant may proceed to arbitration in accordance with Section 10.2(g) hereof. If the Premises are expropriated in whole or in part, then the Landlord may, by notice in writing given to the Tenant prior to title vesting in the expropriating authority, terminate this Lease effective

as of the date of title vesting in the expropriating authority and rent shall be adjusted to the date of termination.

- (c) Landlord's Award - If the Premises are expropriated, in whole or in part, then the Landlord shall be entitled to the entire award paid for such expropriation, and the Tenant waives any right or claim to any part thereof.
- (d) Tenant's Award - The Tenant shall have the right to claim from the expropriating authority, but not from the Landlord, such compensation as may be separately recoverable by the Tenant in the Tenant's own right on account of any and all costs or loss (including loss of business) which the Tenant may incur in removing the Tenant's merchandise, furniture, fixtures, leasehold improvements and equipment to a new location.
- (e) Temporary Expropriation - If the whole or any part of the Premises is expropriated for any temporary use or purpose, this Lease shall remain in effect. If a temporary expropriation remains in force at the expiration or earlier termination of this Lease, the Tenant shall pay to the Landlord a sum equal to the reasonable costs of performing any obligations required of the Tenant by this Lease with respect to the surrender of the Premises, or, in the case of a partial expropriation, the expropriated part of the Premises including, without limitation, repairs and maintenance required, and upon such payment, the Tenant shall be excused from any such obligations. If a temporary expropriation of the whole of the Premises is for a period which extends beyond the Term, the Lease shall terminate as of the date of occupancy by the expropriating authority and the parties' respective entitlement to compensation shall be as provided in Sections 10.2(c) and (d) and the rent payable hereunder shall be adjusted to the date of occupancy.
- (f) Notice - The parties shall immediately upon service of process in connection with any expropriation or potential expropriation, give the other notice in writing thereof. The Tenant shall immediately execute and deliver to the Landlord all instruments that may be required to effectuate the provisions of Section 10.2(a) to (f) inclusive.
- (g) Arbitration - If the Landlord and Tenant are unable to agree on the reduction of Annual Basic Rent on a partial expropriation of the Premises pursuant to Section 10.2(b), then such matter shall be determined and settled by a single arbitrator to be agreed upon between the parties hereto and failing agreement as to such arbitrator, then pursuant to the *Arbitration Act* of British Columbia and the decision of such arbitrator, which shall include an assessment of costs of the arbitration against one or both of the parties, shall be final and binding upon the parties.

ARTICLE 11 MUTUAL COVENANTS, AGREEMENTS AND PROVISOS

It is hereby agreed by the Landlord and the Tenant as follows:

11.1 No Warranties

The Tenant acknowledges and agrees that no representations, warranties, agreements or conditions have been made other than those expressed herein, and that no agreement

collateral hereto shall be binding upon the Landlord unless it be made in writing and duly executed on behalf of the Landlord.

11.2 Notices

All notices, demands and requests which may or are required to be given pursuant to this Lease shall be in writing and shall be sufficiently given if delivered personally to the party or an officer of the party for whom it is intended or mailed prepaid and registered, in the case of the Landlord and the Tenant, to the respective addresses specified in Subsections 1.1(a) and (b), or at such other addresses in British Columbia as the parties may from time to time advise by notice in writing. The Tenant shall require any mortgagee, assignee or sublessee of the Tenant's interest hereunder to supply their respective mailing addresses to the Landlord. The date of receipt of any such notice, demand or request shall be deemed to be the date of delivery of such notice, demand or request if served personally or if mailed as aforesaid on the third day next following the date of such mailing (excluding Saturdays, Sundays and statutory holidays in British Columbia), unless there is between the date of mailing and actual receipt a mail strike or other labour dispute which adversely affects mail service in British Columbia, in which case:

- (a) the party giving the notice, demand or request shall deliver such notice, demand or request by an alternative method; and
- (b) the time of giving such notice, demand or request shall be the time of actual receipt of such notice, demand or request.

11.3 Holding Over

If the Tenant shall hold over after the expiration of the Term or any renewal thereof and the Landlord shall accept the Rent or any portion thereof, the new tenancy thereby created shall be deemed a monthly tenancy and not a yearly tenancy and shall be subject to the covenants and conditions herein contained insofar as the same are applicable to a tenancy from month to month, except that if the Tenant remains in possession without the Landlord's written consent, the monthly instalments of Annual Basic Rent shall be 150% of the monthly instalments of Annual Basic Rent payable for the last month of the Term or any renewal thereof, prorated on a daily basis for each day that the Tenant remains in possession, and in addition the Tenant shall be liable for all costs, expenses, losses and damages resulting or arising from the failure of the Tenant to deliver up possession of the Premises to the Landlord.

11.4 Inability to Perform Whenever and to the extent that the Landlord shall be unable to fulfil, or shall be delayed or restricted in the fulfilment of any obligation hereunder by reason of being unable to obtain the material, goods, equipment, service, utility or labour required to enable it to fulfil any such obligation or by reason of any statute, law or order-in-council or any regulation or order passed or made pursuant thereto or by reason of the order or direction of any administrator, controller or board, or any governmental department or officer or other authority, or by reason of not being able to obtain any permission or authority required thereby, or by reason of any other cause beyond its control whether of the foregoing character or not, the Landlord shall be entitled to extend the time for fulfilment of such obligation by a time equal to the duration of such delay or restriction, and the Tenant shall not be entitled to compensation for any inconvenience, nuisance or discomfort or damage thereby occasioned, and shall not be entitled to cancel or terminate this Lease.

11.5 Rules and Regulations The Tenant shall observe and shall cause its employees, servants, invitees, licensees, agents and all others over whom the Tenant exercises any control to observe faithfully and comply with such reasonable rules and regulations as the Landlord may from time to time adopt for the Project as a whole. Nothing in this Lease shall be construed to impose upon the Landlord any duty or obligation to enforce the rules and regulations or the terms, covenants or conditions in any other lease against any other Tenant of the Project, and the Landlord shall not be liable to the Tenant for violation of the same by any other tenant, its servants, employees, agents, visitors or licensees or any other person.

11.6 Metric Equivalent Wherever there is any reference in this Lease to a measurement or an area or the requirement for a measurement or calculation of an area, any such measurement or area may be expressed in either units of imperial measurement or their metric equivalent as published by Canada Mortgage and Housing Corporation or any other agency of the Government of Canada designated by the Landlord.

11.7 Governing Law This Lease shall be construed in accordance with, and governed by, the laws of the Province of British Columbia.

11.8 Number and Gender Where required the singular number shall be deemed to include the plural and the neuter gender the masculine or feminine.

11.9 Covenants The Landlord and the Tenant agree that all of the provisions of this Lease are to be construed as covenants and agreements as though the words importing such covenants and agreements were used in each separate provision thereof. Should any provision or provisions of this Lease be illegal or not enforceable it or they shall be considered separate and severable from this Lease and its remaining provisions shall remain in force and be binding upon the parties hereto as though the said provision or provisions had never been included.

11.10 Time of the Essence Time shall be of the essence of this Lease.

11.11 Headings Any captions, headings and marginal notes throughout this Lease are for convenience and reference only and the words and phrases contained therein shall in no way be held deemed to define, limit, describe, explain, modify, amplify or add to the interpretation, construction or meaning of any provision of or the scope or intent of this Lease nor in any way affect this Lease.

11.12 Enurement This Lease shall extend to, be binding upon and enure to the benefit of the Landlord and the Tenant and their respective heirs, executors, administrators, successors and permitted assigns.

11.13 Joint and Several Liability All covenants, liabilities and obligations entered into or imposed upon the Tenant, Indemnifier or other persons bound by the Tenant's obligations under this Lease shall be joint and several covenants, liabilities and obligations.

11.14 Continuation of Obligations This Lease and the obligations of the Tenant hereunder shall continue in full force and effect notwithstanding any change in the person or persons comprising the Landlord.

11.15 Landlord's Limit of Liability The term "Landlord" as used in this Lease so far as covenants or obligations on the part of the Landlord are concerned shall be limited to mean the Landlord as hereinbefore set out while it retains its interest in the Premises, but upon sale, transfer or other disposition of that interest, the Landlord shall be automatically relieved after the date of such sale, transfer or other disposition of and from all liability arising out of the requirement for performance of any obligations on the part of the Landlord herein contained, it being understood and agreed hereby that the obligations contained in this Lease on the part of the Landlord shall be binding upon the Landlord, its successors and assigns, only during and in respect of the respective successive periods of its interest in the Premises. The Tenant agrees to attorn to a purchaser, transferee or person acquiring the interest of the Landlord in the Premises, such attornment to be effective and self-operative without the necessity of the execution of any further instrument on the part of the Landlord, the Tenant or any other person.

11.16 Consents

- (a) Wherever and whenever the approval or consent of the Landlord is required to be obtained, such approval or consent may be given by such officer, agent, committee, person or persons as may from time to time be nominated or appointed in writing by the Landlord for such purpose, and any such power of nomination or appointment may be delegated by the Landlord. Such nominees, appointees or delegates shall have the right to withhold approval of or consent to and may reject any matter or thing submitted for approval or consent, and every such approval or consent given shall be in writing and may contain such conditions and stipulations as the Landlord may deem fit.
- (b) Whenever the Landlord shall withhold its leave, consent or approval, in any case where its leave, consent or approval is required under this Lease, the Landlord shall not be deemed to be withholding such leave, consent or approval unreasonably if the reason therefor is the due preservation of a standard of planning and maintenance as high as that required by the Landlord elsewhere in the Project.

11.17 Amendments This Lease shall constitute the entire agreement between the parties hereto with respect to the subject matter hereof and shall not be modified, amended or waived except by an instrument in writing duly executed and delivered by the parties hereto or by their successors and permitted assigns.

11.18 Indemnifier's Provisions Concurrently with the execution of this Lease, the Indemnifier shall deliver to the Landlord the Indemnity Agreement in the form and content of the Indemnity Agreement attached hereto as Schedule "D".

ARTICLE 12- ADDITIONAL PROVISIONS


12.1 Additional Provisions The additional provisions, if any, which are set forth in Schedule "C" are hereby incorporated in and form a part of this Lease for all purposes.

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

TENANT

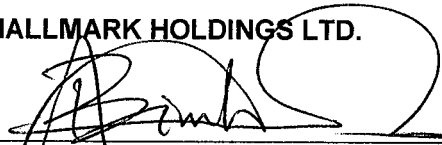
G3 GENUINE GUIDE GEAR INC.



Authorized Signatory)
)
)
)
)

LANDLORD

HALLMARK HOLDINGS LTD.



Authorized Signatory)
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SCHEDULE "A"

Description of the Lands

ALL AND SINGULAR that certain parcel or tract of land and premises situate, lying and being in the City of Burnaby, Province of British Columbia, and more particularly known and described as:

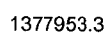
PID: 001-492-641

Lot 23 Except: Part Highway Statutory Right of Way Plan 66149, District Lot 161
Group 1 New Westminster District Plan 48519

PID: 003-005-062

Lot 3 Block 2 District Lot 161 Group 1 New Westminster District Plan 1742

Site Plan



SCHEDULE "C"

Additional Provisions

1. The Premises to be provided by the Landlord shall be on an "as is, where is" basis except for the following improvements, which are to be completed by the Landlord prior to the Commencement Date:
 - (a) **Ensure that all heating, lighting, electrical, mechanical and plumbing fixtures are in good working order and replace where needed;**
 - (b) **Ensure that there is an HVAC system servicing the office and mezzanine areas of the Premises and that it is in good working order;**
 - (c) **Ensure that the sprinkler system is in good working order;**
 - (d) **Upgrade the power in the Premises to 300 amp 600 volt 3 phase;**
 - (e) **Install laminate flooring and new carpet to the ground floor office and mezzanine office areas (excluding the front foyer where the ceramic tile will remain as existing), specifications to be mutually agreed to by the Tenant and the Landlord acting reasonably;**
 - (f) **Paint all of the interior walls in the ground floor office and mezzanine office areas, specifications to be mutually agreed to by the Tenant and the Landlord acting reasonably;**
 - (g) **Replace the existing lighting in the ground floor office and mezzanine office areas so that the space is adequately lit, specifications to be mutually agreed to by the Tenant and the Landlord acting reasonably; and**
 - (h) **Install a temporary or permanent loading ramp or lift, at the discretion of the Landlord, to the loading platform at the rear of the Premises.**
2. The Tenant shall be responsible for the installation, operation, maintenance and costs related to any and all special equipment required by its occupancy of the Premises, including, but not being limited to, the installation, operation, maintenance and costs related to all telephones, computers, alarms and special communication facilities required by the Tenant's occupancy of the Premises.
3. The Tenant shall be responsible for making an application to and obtaining a business licence for the operation of its business at the Premises as required by the City of Burnaby.
4. Provided that the Tenant is in possession of the Premises, has executed the Lease and is not in default hereunder, the Tenant shall not be responsible for Basic Rent for the **first two (2) months of the initial Term**. However, the Tenant will be responsible for Additional Rent during this Basic Free Rent period.
5. The Landlord covenants and agrees with the Tenant that if the Tenant duly and punctually pays the Rent and observes and performs the covenants, provisos and agreements contained in this Lease on its part to be paid, observed and performed, then

the Tenant shall have the option to be exercised by giving to the Landlord written notice (herein called the "Renewal Notice") not less than six (6) months prior to the Expiry Date, to renew this Lease for a further term of **five (5) years** (the "Renewal Term") on the terms and conditions as set forth in this Lease, except for **any free rent periods, any work to be performed by the Landlord**, this paragraph 5 of Schedule "C" and except for the amount of the Annual Basic Rent for the Premises during the Renewal Term which amount of Annual Basic Rent shall be determined by agreement between the Landlord and the Tenant not less than three (3) months after the date on which the Landlord receives the Renewal Notice from the Tenant and failing such agreement within such period, the amount of the Annual Basic Rent for the Premises during the Renewal Term shall be the rent which would be paid for the Renewal Term as between the Landlord and a willing tenant dealing at arm's length for premises reasonably comparable to the Premises, as determined by arbitration as hereinafter set forth. The amount of the Annual Basic Rent for the Premises during the Renewal Term shall not be less than the amount of Annual Basic Rent for the Premises payable during the last year of the Term. The Landlord and the Tenant covenant and agree that upon receipt of the Renewal Notice by the Landlord, the Tenant shall be obligated to lease the Premises from the Landlord and the Landlord shall be obligated to lease the Premises to the Tenant on the terms and conditions set forth in this paragraph 5 of Schedule "C".

If under the provisions of this Lease the Landlord and the Tenant have failed to agree as to the amount of the Annual Basic Rent payable for the Premises with respect to the Renewal Term by the date required hereunder, the determination of the Annual Basic Rent shall be referred to a single arbitrator to be agreed upon by the Landlord and the Tenant and failing agreement as to such arbitrator within ten (10) days after either party shall have demanded the appointment of such arbitrator, then upon the application of either the Landlord or the Tenant, the arbitrator shall be appointed by a judge of the Supreme Court of British Columbia. The determination by the arbitrator shall be final and binding upon the Landlord and Tenant, and their respective successors and permitted assigns. In making the determination of the amount of the Annual Basic Rent for the Renewal Term the arbitrator shall follow the basis for determination set forth in paragraph 5 of this Schedule "C". The fees and expenses of the arbitrator shall be borne by the Tenant. The provisions of this paragraph shall be deemed to be a submission to arbitration within the provisions of the *Arbitration Act* of British Columbia and any statutory modifications or re-enactment thereof, provided that any limitations on the remuneration of the arbitrator imposed by such legislation shall not be applicable. The arbitration shall be held in the City of Vancouver, British Columbia unless otherwise agreed in writing by the Landlord and the Tenant. It is understood and agree by the Landlord and the Tenant that until the amount of the Annual Basic Rent for the Renewal Term is finally determined, the Tenant shall pay to the Landlord monthly installments on the account of the Annual Basic Rent equal to the monthly installments of Annual Basic Rent payable for the month immediately preceding the Renewal Term. Once the arbitrator has determined the amount of the Annual Basic Rent for the Renewal Term, then the Annual Basic Rent paid as aforesaid shall be adjusted to reflect the Annual Basic Rent as determined for the Renewal Term and the Tenant shall, forthwith upon request by the Landlord pay to the Landlord interest at the rate set forth in Section 9.9 of this Lease on the amount by which the monthly installments of the Annual Basic Rent for the Renewal Term as finally determined exceed the monthly installments paid by the Tenant on account of the Annual Basic Rent during the Renewal Term, such interest to be computed and accrued from the date of commencement of the Renewal Term until the Landlord receives payment in full of the shortfall in the Annual Basic Rent.

6. **For the purposes of planning and construction of its leasehold improvements the Tenant shall have access to the Premises on April 1, 2015 (the "Occupancy Date") provided that this Lease has been executed by the Tenant and that the Tenant has provided the Landlord with evidence of insurance pursuant to this Lease. During the period prior to the Commencement Date (the "Fixturing Period"), no Basic Rent or Additional Rent shall be payable by the Tenant, however, the Tenant shall be responsible for the payment of utilities consumed in the Premises, and all other terms and conditions of this Lease shall apply.**
7. **The Tenant shall be permitted the use of the parking stalls located in the front and at the rear of the Premises and at 8638 Joffre Avenue in common with the other tenants.**

LEASE AMENDING AGREEMENT

THIS INDENTURE made as of January 27, 2020.

BETWEEN:

HALLMARK HOLDINGS LTD.
c/o Canreal Management Corporation
Suite 409, 808 Nelson Street
Vancouver, British Columbia
V6Z 2H2

(the "Landlord")

OF THE FIRST PART

AND:

G3 GENUINE GUIDE GEAR INC.
3771 Marine Way
Burnaby, British Columbia
V5J 5A7

(the "Tenant")

OF THE SECOND PART

WHEREAS:

- A. By a Lease dated March 17, 2015 (the "Lease"), the Landlord leased to the Tenant for a term of five (5) years commencing June 1, 2015 and expiring May 31, 2020 (the "Term") those certain premises civically described as 3771 Marine Way, Burnaby, British Columbia (the "Premises"); and
- B. The Landlord and Tenant have agreed to extend the Term of the Lease on the terms as hereinafter set out in this agreement (the "Agreement").

NOW THEREFORE THIS AGREEMENT WITNESSES that in consideration of the sum of TWO DOLLARS (\$2.00) now paid by each of the parties to the other (the receipt and sufficiency whereof is hereby acknowledged), and other mutual covenants and agreements, the parties hereby agree as follows:

- 1. **Definitions:** Terms not defined herein will have the meaning assigned to them in the Lease.
- 2. **Extension of Term:** The Landlord and Tenant agree that the Term of the Lease is hereby extended for a period of five (5) years commencing June 1, 2020 and expiring May 31, 2025 (the "First Renewal Term").

3. **Basic Rent:** For the First Renewal Term, the Basic Rent payable shall be as follows:

Year	Per Square Foot	Per Month	Per Annum
1	\$12.00	\$17,102.00	\$205,224.00
2	\$13.00	\$18,527.17	\$222,326.00
3	\$13.50	\$19,239.75	\$230,877.00
4	\$14.00	\$19,952.33	\$239,428.00
5	\$14.50	\$20,664.92	\$247,979.00

4. **Security Deposit:** The Landlord and Tenant acknowledge that the Security Deposit in the amount of \$11,223.19 that is currently being held by the Landlord shall continue to be held by the Landlord during the First Renewal Term in accordance with the terms and conditions of the Lease.

5. **Renewal Option:**

The Landlord covenants and agrees with the Tenant that if the Tenant duly and punctually pays the Rent and observes and performs the covenants, provisos and agreements contained in the Lease on its part to be paid, observed and performed, then the Tenant shall have the option to be exercised by giving to the Landlord written notice (herein called the "Renewal Notice") not less than six (6) months prior to the expiry date of the First Renewal Term, to renew this Lease for a further term of five (5) years (the "Second Renewal Term") on the terms and conditions as set forth in the Lease, except for this Section 5 of this Agreement and except for the amount of the Annual Basic Rent for the Premises during the Second Renewal Term which amount of Annual Basic Rent shall be determined by agreement between the Landlord and the Tenant not less than three (3) months after the date on which the Landlord receives the Renewal Notice from the Tenant and failing such agreement within such period, the amount of the Annual Basic Rent for the Premises during the Second Renewal Term shall be the rent which would be paid for the Second Renewal Term as between the Landlord and a willing tenant dealing at arm's length for premises reasonably comparable to the Premises, as determined by arbitration as hereinafter set forth. The amount of the Annual Basic Rent for the Premises during the Second Renewal Term shall not be less than the amount of Annual Basic Rent for the Premises payable during the last year of the First Renewal Term. The Landlord and the Tenant covenant and agree that upon receipt of the Renewal Notice by the Landlord, the Tenant shall be obligated to lease the Premises from the Landlord and the Landlord shall be obligated to lease the Premises to the Tenant on the terms and conditions set forth in this Section 5 in this Agreement.

If under the provisions of this Lease the Landlord and the Tenant have failed to agree as to the amount of the Annual Basic Rent payable for the Premises with respect to the Second Renewal Term by the date required hereunder, the determination of the Annual Basic Rent shall be referred to a single arbitrator to be agreed upon by the Landlord and the Tenant and failing agreement as to such arbitrator within ten (10) days after either party shall have demanded the appointment of such arbitrator, then upon the application of either the Landlord or the Tenant, the arbitrator shall be appointed by a judge of the Supreme Court of British Columbia. The determination by the arbitrator shall be final and binding upon the Landlord and Tenant, and their respective successors and permitted assigns. In making the determination of the amount of the Annual Basic Rent for the Second Renewal Term the arbitrator shall follow the basis for determination set forth in Section 5 of this Agreement. The fees and expenses of the arbitrator shall be borne equally by the Tenant and Landlord. The provisions of this paragraph shall be deemed to be a submission to arbitration within the provisions of the *Arbitration Act* of British Columbia and any statutory modifications or re-enactment thereof, provided that any limitations on the remuneration of the

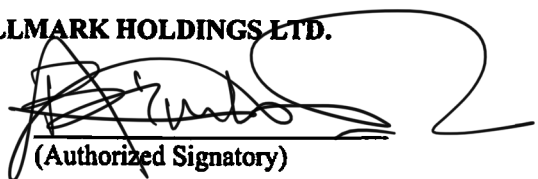
arbitrator imposed by such legislation shall not be applicable. The arbitration shall be held in the City of Vancouver, British Columbia unless otherwise agreed in writing by the Landlord and the Tenant. It is understood and agreed by the Landlord and the Tenant that until the amount of the Annual Basic Rent for the Second Renewal Term is finally determined, the Tenant shall pay to the Landlord monthly installments on the account of the Annual Basic Rent equal to the monthly installments of Annual Basic Rent payable for the month immediately preceding the Second Renewal Term. Once the arbitrator has determined the amount of the Annual Basic Rent for the Second Renewal Term, then the Annual Basic Rent paid as aforesaid shall be adjusted to reflect the Annual Basic Rent as determined for the Second Renewal Term and the Tenant shall, forthwith upon request by the Landlord pay to the Landlord interest at the rate set forth in Section 9.9 of the Lease on the amount by which the monthly installments of the Annual Basic Rent for the Second Renewal Term as finally determined exceed the monthly installments paid by the Tenant on account of the Annual Basic Rent during the Second Renewal Term, such interest to be computed and accrued from the date of commencement of the Second Renewal Term until the Landlord receives payment in full of the shortfall in the Annual Basic Rent.

6. Landlord's Work: The Premises shall be delivered to the Tenant on an "as is, where is" basis.
7. Confirmation of Lease: Except as herein amended, all other terms and conditions shall remain the same as those contained in the Lease and the Lease is hereby confirmed to be in full force and effect.

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

HALLMARK HOLDINGS LTD.

Per:


(Authorized Signatory)

1

G3 GENUINE GUIDE GEAR INC.

Per:

Oliver Steffen
(Authorized Signatory)