

# Memorandum of Understanding

BETWEEN

The Corporation of the Town of Tillsonburg  
(Hereinafter referred to as the “Landlord”)

-and-

BlueStar Hangar Inc.  
50 Clearview Drive  
Tillsonburg ON N4G 4GH

ATTN: Michael Perovich, President  
(Hereinafter referred to as the “Tenant”)

Dated: October 9, 2023

**WHEREAS** the Landlord owns all and singular that certain parcel or tract of land and premises situated, lying and being in the Township of South West Oxford in the County of Oxford, being comprised of:

PT LT 3-4 CON 7 DEREHAM; LT 5-6 CON 7 DEREHAM; PT LT 7 CON 7 DEREHAM PT 1, 2, 3, 4 & 5, 41R2877, PT 2 & 3, 41R2714, PT 1, 2 & 3, 41R4343, PT 1, 2, 3 & 4, 41R4545; S/T 406551; SOUTH-WEST OXFORD;

PIN: 00016-0089 (LT); LRO #41;

municipal address being 244411 Airport Road, Tillsonburg, ON N4G 4H1;

referred to herein as the “Property”, the “Airport” or the “Tillsonburg Airport” upon which is located the Tillsonburg Airport which is owned and operated by the Landlord.

Now therefore in consideration of the mutual covenants of the parties set forth in this Memorandum and other good and valuable consideration the receipt and sufficiency of which is hereby acknowledged, the Tenant and the Landlord agree as follows:

## 1. PURPOSE

The purpose of this Memorandum is to enter into an agreed arrangement and expand a framework of cooperation between the Town and the Blue Star Hangar Inc. to permit the construction of an airplane hangar and associated structures and for the lease of the lands on which these structures reside.

The Tenant recognizes the need for a lease agreement between the Landlord and themselves; however, the Tenant is also interested in negotiating the purchase of the lands both on which the hangar and its surrounding properties will ultimately reside, but also to

further negotiate the subsequent purchase, or the rights to purchase additional lands intended for desired future expansion.

Further, the Landlord and Tenant may wish to entertain collaborative efforts in improvements to the Airport lands benefitting both parties, whereas additional elements which would require details and clauses within the lease agreement not yet known at this time.

The terms of this Memorandum of Understanding are as follows:

## **2. LEASED PREMISES**

2.1. The Leased Premises shall consist of a portion of the Tillsonburg Airport identified as Taxiway C1 Lot 10 and is comprised of the following properties:

<b>Building/Property</b>	<b>Dimensions (ft)</b>	<b>Area (ft<sup>2</sup>)</b>	<b>Lease Amount (\$)</b>
Main Hangar	85' x 101'	8,585	\$ 2,833.05
Apron 1	60' x 84'	5,040	\$ 1,663.20
Lounge	TBD	1,080	\$ 356.40
Parking Lot	84' x 276' (est)	23,184	\$ 7,650.72

On the plan attached as submitted, being the area upon which the Tenant's airplane hangar shall be located plus one (1) metre of land extended beyond the exterior perimeter of the Tenant's airplane hangar building(s) (the "Leased Premises").

- (2) Notwithstanding the above, the Landlord reserves the right to assign an alternate lot to the Tenant on thirty (30) days' written notice at any time prior to the commencement of construction of the Tenant's hangar.
- (3) The Landlord covenants and agrees to the construction by the Tenant of an airplane hangar on the Leased Premises being a Hangar, (the "Hangar") subject to the provisions of Schedule "B". The Tenant shall complete the construction of the Hangar at its sole cost and expense.
- (4) The Landlord covenants and agrees that the Hangar on the Leased Premises is not owned by the Landlord but is owned by the Tenant.

## **3. GRANT OF LEASE**

- (1) Should the Tenant elect to lease the premises, the Landlord agrees to leases the premises to the Tenant:
  - (a) at the Rent set forth in Section 4;
  - (b) for the Term set forth in Section 5; and
  - (c) subject to the conditions and in accordance with the covenants, obligations and agreements herein including schedules.

- (2) The Landlord covenants that it has the right to grant the leasehold interest in the Leased Premises free from encumbrances except as disclosed on title.

#### 4. RENT

- (1) Rent means the amounts payable by the Tenant to the Landlord pursuant to this Section and includes Additional Rent.
- (2) The Tenant covenants to pay to the Landlord, during the Term of this Lease rent as follows (the "Base Rent"): for every year of the Term, for the buildings listed above, the total sum of \$12,503.37 per annum (based upon \$0.33 per square foot of Hangar and all associated buildings area as per the Town of Tillsonburg Fees and Charges By-Law which is subject to change from time to time) plus H.S.T., and any other applicable services tax which may accrue on account of the Landlord collecting rent, payable yearly in advance. Base Rent shall commence on the first day of the Term. If the first day of the Term is not January 1<sup>st</sup> then Base Rent for the first year of the term shall be prorated until December 31<sup>st</sup> of the initial year. Base Rent shall then be due on 1<sup>st</sup> day of the year commencing on January 1<sup>st</sup>, 2023 and every 1<sup>st</sup> day of January thereafter. The Parties further agree that the Landlord may, in their sole and absolute discretion, increase the Base Rent annually in accordance with the Town of Tillsonburg Rates and Fees Bylaw, as amended. If the square footage of the Hangar on the Leased Premises expands then the Base Rent shall accordingly increase in proportion to the additional square footage.
- (3) The Tenant further covenants to pay all other sums required by this Lease to be paid by it and agrees that all amounts payable by the Tenant to the Landlord or to any other party pursuant to the provisions of this Lease shall be deemed to be additional rent ("Additional Rent") whether or not specifically designated as such in this Lease.
- (4) The Landlord and the Tenant agree that it is their mutual intention that this Lease shall be a completely carefree net lease for the Landlord and that the Landlord shall not, during the Term of this Lease, be required to make any payments in respect the Leased Premises unless otherwise agreed to by Town Council, which may include but is not limited to the following:
  - (a) to pay as Additional Rent: business taxes, real estate taxes and licenses if applicable;
  - (b) to pay all annual fees in accordance with the Town of Tillsonburg Rates and Fees Bylaw, as amended, as Additional Rent for such expenses incurred by the Landlord for the maintenance and servicing of the Airport; and,
  - (c) to pay the Landlord a one-time capital recovery charge, based on actuals, for the Landlord to construct the associated hangar apron, if applicable; and,
  - (d) to pay for or provide servicing and maintaining the Leased Premises and the Hangar and shall include the following:
    - (i) all utilities and services including, but not limited to, electricity,

water, sewage, natural gas and propane. The Tenant acknowledges that connection fees for utilities and services are entirely at the Tenant's cost. Further, the Tenant acknowledges that nothing in this Lease, including in this article, is a warranty, covenant or representation by the Landlord to provide connections, utilities or services to the Leased Premises or that the services or utilities can be extended to the Leased Premises;

- (ii) snow removal and landscaping on the Leased Premises including cutting the grass and weed control of the Leased Premises including the one (1) metre area around the perimeter of the Hangar;
  - (iii) all repair, service and maintenance to the Hangar including reasonable wear and tear; and,
  - (iv) to pay airport infrastructure fees in accordance with the Town of Tillsonburg Rates and Fees Bylaw, as amended.
- (5) The Tenant hereby agrees to indemnify and protect the Landlord from any liability accruing to the Landlord in respect of the expenses payable by the Tenant as provided for herein.
- (i) The Tenant on behalf of itself/himself/herself/themselves, its/his/her/their heirs, executors, administrators and assigns, including its/his/her/their successors in title, hereby covenants and agrees to indemnify and save harmless the Landlord from all actions, cause of actions, suits, claims, demands, damages, losses, costs, charges and expenses of every nature and kind whatsoever by whomsoever made brought or prosecuted, including legal fees, which the Landlord may incur or have to pay, which may arise either directly or indirectly by reason of any activity, actions, performance, negligence or non-performance of the Tenant, its employees, servants, agents, contractors, subcontractors, architect, landscape architect, engineer, surveyor, planner, consultant, project manager or any other person the Tenant is responsible for at law during the duration of this Agreement; in executing the Works under this Agreement; by reason of installation of any Works required under this Agreement; by the failure of the Tenant to complete the installation of the Works required under this Agreement; because of or on account of the ownership, construction, use existence, or maintenance of the property described in the Agreement; by the exercise of the Tenant's powers under this Agreement; the construction, maintenance or the improper or inadequate construction, installation and/or maintenance of the Works; any act or omission of said parties while undertaking the Works; or by reason of the neglect of the Tenant or its employees, servants, agents, contractors, subcontractors or others for whom the Tenant is responsible at law.
  - (ii) Without limiting the generality of the foregoing, the Tenant agrees to indemnify and save harmless the Landlord for any issues related to the alteration of any grade or existing level construction, the

maintenance or repair of any taxiway within the Airport, or by reason of the failure, neglect or omission of the Tenant to do anything agreed to be done pursuant to this Agreement or by reason of any act or omission of the Tenant, including failure of the Tenant to comply with the *Construction Act*.

- (6) Additional Rent shall be payable yearly in advance on the same dates stipulated for payment of Base Rent in Section 3 (2).
- (7) All payments to be made by the Tenant pursuant to this Lease are to be in Canadian funds by bank draft, money order or cheque payable to the Landlord and shall be delivered to the Landlord at the Landlord's address for service set out in Section 17 or to such other place as the Landlord may from time to time direct in writing.
- (8) All Rent in arrears and all sums paid by the Landlord for expenses incurred which should have been paid by the Tenant shall bear interest from the date payment was due, or made, or expense incurred at a rate per annum equal to the prime commercial lending rate of the Landlord's bank plus two (2) percent.
- (9) The Tenant acknowledges and agrees that the payments of Rent and Additional Rent provided for in this Lease shall be made without any deduction for any reason whatsoever unless expressly allowed by the terms of this Lease or agreed to by the Landlord in writing and no partial payment by the Tenant which is accepted by the Landlord shall be considered as other than a partial payment on account of Rent owing and shall not prejudice the Landlord's right to recover any Rent owing.

## **5. TERMS AND POSSESSION**

- (1) The Tenant shall have possession of the Leased Premises, under this existing Memorandum of Understanding for the period of approximately fifteen months (the "Term"), commencing on 25<sup>th</sup> day of September 2023 and ending on the 31<sup>st</sup> day of December, 2024.
- (2) The Tenant shall pay any and all connection costs for hydro, gas, water, heating, air-conditioning and for all other services and utilities as may be provided to the Leased Premises. The Tenant shall arrange with the local authority for connection of gas, electricity and water in the name of the Tenant. Nothing in this paragraph or lease is a warranty or representation by the Landlord that any utilities or services are extended to the Leased Premises or can be extended to the Leased Premises.
- (3) Subject to the Landlord's rights under this Lease, and as long as the Tenant is in good standing, the Landlord covenants that the Tenant shall have quiet enjoyment of the Leased Premises during the Term of this Lease without any interruption or disturbance from the Landlord or any other person or persons lawfully claiming through the Landlord.

## **6. ABATEMENT OF RENT DURING CONSTRUCTION**

- (1) So long as the Lease has been fully executed, the Tenant has provided the Landlord with proof of the Tenants insurance, and the Tenant has paid the first and last month's Rent to be held as a deposit, the Landlord shall provide the Tenant with possession of the Leased Premises for a period of up to six (6) months commencing on the Effective Date for the purposes of constructing the Hangar on the Leased Premises. All terms of the Lease shall be applicable from the Effective Date save and except for the payment of Rent, Base Rent and Additional Rent which shall be payable as of the first day of the month of occupancy of the Hangar or the expiry of the six (6) month construction period whichever occurs first.
- (2) In the event the Tenant has not completed construction of the Hangar within the six (6) month construction period, the Landlord, in its sole and absolute discretion, may extend the construction period upon written request of the Tenant or terminate this Lease of which then the Tenant's deposit provided in Section 5 (1) would be forfeited.

## **7. ASSIGNMENT**

- (1) The Tenant shall not assign this Lease or sublet the whole or any part of the Leased Premises unless they first obtain the consent of the Landlord in writing, which consent shall not unreasonably be withheld and provided the sub-Tenant and/or assignee signs a written acknowledgement that he/she will be bound by the terms, conditions and rules as provided for in this Lease. The Tenant hereby waives its right to the benefit of any present or future Act of the Legislature of Ontario which would permit the Tenant to assign this Lease or sublet the Leased Premises without the Landlord's consent.
- (2) The consent of the Landlord to any assignment or subletting shall not operate as a waiver of the necessity for consent to any subsequent assignment or subletting.
- (3) Any consent given by the Landlord to any assignment or other disposition of the Tenant's interest in this Lease or in the Leased Premises shall not relieve the Tenant from its obligations under this lease, including the obligation to pay Rent, Base Rent and Additional Rent as provided for herein.
- (4) If all or more than 50% of the shares in the Tenant should be sold, assigned or transferred in any manner to a person other than the Tenant, then such transferee shall be bound by the terms and conditions of this Lease.

## **8. AGREE TO PURCHASE LANDS**

The Tenant shall have the first right of refusal, in the event the Landlord wishes to provide a process to provide land sale purchasing to tenants. The price shall be negotiated through a process and valuation separate from this MOU and a new formal agreement will be negotiated.

## **9. USE**

- (1) During the Term of this Lease the Leased Premises shall not be used for any purpose other than as an aircraft hangar for the storage, repair and operation of airplanes, without the express consent of the Landlord given in writing. The Tenant shall not construct a new hangar or any other building on the Leased Premises except in accordance to the terms of this Lease, unless otherwise negotiated.
- (2) The Tenant shall not do or permit to be done at the Leased Premises anything which may:
  - (a) contravene any Airport use, standards, or tenant policy as established by the Landlord from time to time;
  - (b) cause damage to the Leased Premises;
  - (c) cause injury or annoyance to occupants of neighbouring premises;
  - (d) make void or voidable any insurance upon the Leased Premises;
  - (e) constitute a breach of any by-law, status, order or regulation of any municipal, provincial or other competent authority relating to the Tillsonburg Airport, the Leased Premises including any septic bed or other property, equipment or appurtenances; and,
  - (f) create an environmental hazard. The Tenant shall not store, allowed to be stored or do anything that creates hazardous waste or toxic material as defined by the Environmental Protection Act or any related or successor legislation. If an order is made by any level of government, including all agencies, crown corporations, municipal bodies, or a court is made as a result of the Tenant's, or its servants, directors, employees, invitees, customers or agents, actions or inaction under this Article or Article 7(2)(e) above or as a result of the septic bed system used by the Tenant then the Tenant shall satisfy the terms of such order including, but not limited to, paying all costs of the work required and shall indemnify and save the Landlord harmless from any costs, including legal costs, if the Landlord suffers any damages or pays any costs associated with such order.
- (3) The Tenant shall:
  - (a) not interfere in the use of the Airport or any other use of the Property. The Tenant acknowledges that there are other uses of the Property and it shall not interfere in any other use of the Property. The Tenant further acknowledges that there are other Tenants and users of the Airport and it shall not unreasonably interfere in the use or operation of the Airport in any manner nor shall it do, or allow to be done by any of its invitees, customers, employees or agents, anything that would cause or constitute a nuisance, safety violation or hazard to any other Tenant or any user of the Airport who are acting reasonably;
  - (b) comply with all federal and provincial transportation guidelines, regulations, rules, by-laws, statutes, directives and any other such matter that governs the flight, use or operation of aircraft;
  - (c) not block or obstruct the taxiways or runway and permit the ingress and egress to adjacent hangars, aprons and parking areas;

- (d) not conduct any major repairs to any motor vehicle of any kind other than an aircraft or any vehicle or machinery ancillary to or connected with aircraft;
  - (e) not perform aircraft repair or maintenance outside of the Leased Premises;
  - (f) not start any aircraft in the Hangar;
  - (g) not store any items on the Leased Premises, surrounding Property or in the Hangar other than aircraft and related aircraft items except as specifically permitted in this agreement;
  - (h) not store any flammable products inside the Hangar or on the Leased Premises with the exception of fuel or necessary aircraft related products;
  - (i) notify the Landlord of any public activities and/or events no less than thirty (30) days before such activity and/or event with approval by the Landlord, in its sole and absolute discretion and such approval not to be unreasonably withheld;
  - (j) comply with all rules and regulations of the Airport and ensure the compliance of all the Tenant's contractors, employees, agents, customers and invitees;
  - (k) comply with the Town of Tillsonburg's relevant policies and codes of conduct such as but not limited to the RZone (Respect) Policy which requires persons using a Town facility to respect others and take responsibility in maintaining a safe and comfortable environment for all participants, spectators, volunteers and staff. The Rzone policy enforces zero tolerance of inappropriate behavior, threats, violence and vandalism at all Town facilities, properties, Town sponsored events, programs, in written or verbal communications (including email or phone); and,
  - (l) provide proof of documentation showing current and proper insurance coverage of any aircraft stored inside the Hangar.
- (4) The Tenant covenants and agrees that the Landlord may require the adjustment in the Airport leases and as such may demand the Tenant move the Hangar and the location of the Leased Premises. The Landlord shall compensate the Tenant for any expenses in moving the Hangar as agreed between the Parties.
- (5) The Tenant shall be permitted to construct and maintain one (1) aircraft hangar (the "Works") and any associated buildings and structural components as identified in the approved design, on the Leased Premises as follows:
- (a) the dimensions of the Hangar shall be 85 feet by 101 feet for a total floor area of 8,585 square feet;
  - (b) a lounge shall be permitted as submitted to a size of approximately 1,080 square feet
  - (c) the style of the Hangar shall be either a pole barn style building or a metal frame building;
  - (d) the hangar apron shall be constructed of a hard surface (i.e. asphalt or concrete) with a minimum 300mm (12") structural sub-base to the satisfaction of the Landlord;



- (e) construction, renovation and maintenance shall comply with the construction and maintenance requirements of the Landlord in its sole and absolute discretion including the construction requirements detailed in Schedule “B” to this Lease and all applicable *Ontario Building Code* standards and by-laws of the municipality in which the Leased Premises are located and any federal or provincial statutes, rules or regulations; including specifically the *Fire Protection and Prevention Act 1997, S.O. 1997, c.4*, and Ontario Regulation 213/07 the *Ontario Fire Code* and any amendment thereto.
  - (f) prior to the commencement of construction, the Tenant shall submit, at its sole cost, a site plan and drainage/grading plan which shall include, but not limited to, the information required in this Article 7(5) of this Lease and the proposed floor elevation, which all shall be subject to the approval of the Landlord;
  - (g) the Tenant agrees to maintain the lot grading during and after construction and erection of the Hangar and shall comply with the lot grading and drainage requirements of the Landlord at the sole cost of the Tenant;
  - (h) Obtain all necessary permits, as applicable, at the expense of the Tenant; and,
  - (i) the Tenant shall be responsible for and pay the cost of all repair, renovation, and maintenance and nothing in this Lease shall render the Landlord responsible for any such costs.
- (6) The Landlord acknowledges that it has granted access to the Tenant for the Tenant to maneuver its aircraft from the Hangar to the adjacent taxiway and runway of the Airport. Further, the Landlord hereby grants to the Tenant, its successors and assigns, free and uninterrupted access in, over, upon, across or through the Hangar apron area, defined as 6 metres wide and 26 metres from the front of the Hangar to the adjacent taxiway. The Landlord grants to the Tenant the right to enter upon the Hangar apron area at all times and to pass and re-pass thereon as may be required by the Tenant, and its licensees, successors, assigns, servants, agents, employees and contractors including all necessary vehicles, equipment and machinery, from time to time, for the purposes of installing, maintaining, replacing, and reconstructing a suitable surface treatment to the Hangar apron as approved by the Landlord in its sole and absolute discretion. Any cost of installing, removing, maintaining, replacing and/or reconstructing the Hangar apron shall be at the sole expense of the Tenant without contribution of the Landlord. The Tenant covenants that it shall not conduct such work to the Hangar apron without first obtaining the consent of the Landlord and such consent shall not be unreasonably withheld. The Tenant hereby releases the Landlord from any and every claim which may or might arise out of the proper exercise by the Tenant of any of the rights granted herein.

## 10. CONSTRUCTION IMPLEMENTATION SCHEDULE

- (1) The Tenant hereby undertakes to complete the work herein in accordance with the timeframes set out in the Schedule “C” (the “Construction Schedule”). The Tenant shall submit a proposed construction schedule which shall be subject to

amendments and approval by the Landlord and attached hereto as Schedule "C". A variance to the timeframes will only be allowed if approved in writing by the Landlord. Failure to comply may result in the Tenant being in default of this Agreement and the Landlord may seek remedy pursuant to this Agreement.

- (2) The Landlord approved work shall be carried out by the Tenant in a proper and professional manner so as to do as little damage or disturbance as possible to the Airport lands or the Airport's infrastructure. The Tenant shall repair and make good all damage and disturbance that may be caused to the Airport lands or the Airport's infrastructure, to the satisfaction of the Landlord, acting reasonably, at the sole expense of the Tenant.
- (3) During construction, the works to be carried out by the Tenant, shall be maintained in all respects in a state of good repair by the Tenant, including keeping the site in a sound, neat, safe and clean condition to the satisfaction of the Landlord. If the site is not kept in a state of good repair, upon seven (7) business days written notice to the Tenant (or such shorter time as may be required in the case of an emergency or other urgent matters or as otherwise provided herein), the Landlord shall have the right to do any work necessary to fulfill this condition and all costs incurred by the Landlord shall be recovered from the Tenant and may be recovered as Additional Rent.

## **11. REPAIR, MAINTENANCE INCLUDING THE RIGHT TO INSPECT**

- (1) The Tenant covenants that during the term of this Lease and any renewal thereof, the Tenant shall keep the Leased Premises and Hangar in good condition including all alterations and additions made thereto, and shall, with or without notice, promptly make all needed repairs and all necessary replacements as would a prudent owner. The Tenant shall be responsible for all wear and tear to the Hangar and shall affect all repairs as necessary. Save and accept the Landlord's, or its agent's, contractor's and employee's negligence or intentional actions, at no time is the Landlord responsible for any repairs or damage to the Hangar or the Leased Premises.
- (2) The Tenant shall permit the Landlord or a person authorized by the Landlord to enter the Leased Premises including the Hangar to examine the condition thereof and view the state of repair at reasonable times:
  - (a) and if upon such examination repairs are found to be necessary, written notice of the repairs required shall be given to the Tenant by or on behalf of the Landlord and the Tenant shall make the necessary repairs within the time specified in the notice; and,
  - (b) if the Tenant refuses or neglects to keep the Leased Premises including the Hangar in good repair the Landlord may, but shall not be obliged to, make any necessary repairs, and shall be permitted to enter the Leased Premises and Hangar, including by its servants or agents, for the purpose of effecting the repairs without being liable to the Tenant for any loss, damage or inconvenience to the Tenant in connection with the Landlord's entry and repairs. If the Landlord makes such repairs the Tenant shall pay the cost of them immediately as Additional Rent.

- (3) Subject to any renewal, upon the expiry of the Term or other determination of this Lease the Tenant agrees to surrender peaceably the Leased Premises to the Landlord in a state of good repair and subject to the conditions contained in this Article 9(3). The Tenant may remove the Hangar provided the Tenant places the Leased Premises back into a similar condition as it was in prior to the construction of the Hangar even if the construction of the Hangar predated this Lease. At any time during the Term, expiry of the Term, if an Act of Default occurs or upon termination of this Lease if the Tenant is in arrears of any rent whatsoever the Tenant agrees that the Landlord shall be permitted to register such lien on the Hangar under the *Personal Property Security Act* and possession of the Hangar will not be obtained by the Tenant until the lien is paid in full with all accrued interest and legal fees.
- (4) The Tenant shall immediately give written notice to the Landlord of any substantial damage that occurs to the Leased Premises including the Hangar from any cause.
- (5) The Tenant hereby agrees that at no time is the Landlord responsible for any damage, including damage to property or personal injury, as a result of the Tenant's use of the Leased Premises, Airport or Property and the Tenant hereby waives any cause of action in law, equity or by statute as against the Landlord for any loss. The Tenant acknowledges that it shall not institute any claim or make any demand against the Landlord, or anyone that may claim indemnity from the Landlord, for any personal injury or damage to property, including aircraft, as a result of the Tenant's use (including storage) of the Hangar, Airport or Property. The Tenant acknowledges that the use of the Airport, Hangar or Property is at its own risk.
- (6) The Tenant hereby forever releases the Landlord from any and all claims in law, equity or by statute as a result of any intentional or negligent acts of any other Tenant and/or user of the Property and/or Airport, or their agents, contractors, invitees, customers or employees that may cause death, personal injury or property loss to the Tenant or its agents, customers, employees, contractors or invitees.

## **12. ALTERATIONS AND ADDITIONS**

- (1) If the Tenant, during the Term of this Lease or any renewal of the Lease, desires to make any alterations or additions to the Leased Premises, including but not limited to; erecting partitions, attaching equipment, and installing necessary furnishings or additional equipment of the Tenant's business but not including erecting a new hangar or any other accessory building, the Tenant may do so at his own expense provided that any and all alterations or additions to the Leased Premises made by the Tenant must comply with any requirement of the Landlord including Schedule "B" and all applicable building code standards and by-laws of the municipality in which the Leased Premises are located and any federal or provincial statutes, rules or regulations.
- (2) The Tenant shall pay Rent at the rate prescribed in paragraph 4 above based upon the area of the Hangar subsequent to any addition or alteration.

- (3) The Tenant shall be responsible for and pay the cost of any alterations, additions, installations or improvements that any governing authority, municipal, provincial or otherwise, may require to be made in, on or to the Leased Premises.
- (4) No sign, advertisement or notice shall be inscribed, painted or affixed by the Tenant, or any other person on the Tenant's behalf, on any part of the outside of the Hangar unless it is located along the facade of the Hangar's front and provided it complies with the Landlord's signage requirements and with all applicable laws, by-laws and regulations and is in good workmanlike manner. No other sign, advertisement or notice shall be erected unless it has been approved in every respect by the Landlord in writing.
- (5) The Tenant agrees, at its own expense and by whatever means may be necessary, immediately to obtain the release or discharge of any encumbrance that may be registered against the Landlord's property in connection with any additions or alterations to the Leased Premises made by the Tenant or in connection with any other activity of the Tenant.
- (6) The Tenant shall, at his own expense, if requested by the Landlord, remove any or all additions or improvements made by the Tenant to the Leased Premises during the Term and shall repair all damage caused by the installation or the removal or both.
- (7) The Tenant shall not bring onto the Leased Premises or any part of the Leased Premises any machinery, equipment or any other thing that might in the opinion of the Landlord, by reason of its hazardous nature, weight, size or use, damage the Leased Premises or the Property. If the Leased Premises or Property are damaged the Tenant shall restore the Leased Premises or Property immediately or pay to the Landlord the cost of restoring the Leased Premises or Property.

### **13.INSURANCE**

- (1) The Tenant covenants to keep the Landlord indemnified and save harmless the Landlord at all times against all claims, suits, procedures, actions and demands (including but not limited to all legal costs) whatsoever and howsoever arising by any person, entity or corporation whether in respect of damage, loss or death to person or property, arising out of or occasioned by the maintenance, use or occupancy of the Leased Premises, Airport and Property or the subletting or assignment of same or any part thereof. And the Tenant further covenants to indemnify the Landlord with respect to any encumbrance on or damage to the Leased Premises occasioned by or arising from the act, default, or negligence of the Tenant, its officers, agents, servants, employees, contractors, customers, invitees or licensees. The Tenant agrees that the foregoing indemnity shall survive the termination of this Lease notwithstanding any provisions of the Lease to the contrary.

- (2) The Tenant shall carry insurance in its own name insuring against the risk of damage to the Tenant's property and the Hangar within the Leased Premises caused by fire or other perils.
- (3) The Tenant shall carry such general liability and property damage insurance including personal injury and property damage coverage with at least two million (\$2,000,000.00) dollars in limits of each occurrence with respect to the Leased Premises and Tenant's occupation of the Leased Premises. Such insurance policy shall contain no airport site exclusion.
- (4) All insurance policies in this Section 11 including this Article shall name the Landlord, where applicable, as an insured and loss payee and the policy shall include a cross-liability endorsement. All policies shall be applicable as primary insurance, taking precedence over any other insurance protection owned by the Landlord. The Tenant shall insure that each insurance policy contains a waiver of subrogation rights which the insurer may have against the Landlord and the persons for whom is legally responsible.
- (5) Upon demand of the Landlord, the Tenant shall provide a copy of any and all policies of insurance including renewals and terms of such policies to the Landlord. If any policy of insurance is canceled the Tenant shall inform the Landlord without delay of such cancellation and shall obtain a replacement policy without delay on the same terms as set out in this Section 11. Under no circumstances shall delivery of and review by the Landlord of any certificate set forth or any insurance policy or any other proof of existence of the insurance coverage release the Tenant of its obligations to take out insurance in strict compliance with the present provisions or constitute a waiver in favour of the Tenant of any of the Landlord's rights.

#### **14.ACKNOWLEDGMENT BY TENANT**

- (1) The Tenant agrees that it will at any time or times during the Term, upon being given at least forty-eight (48) hours prior written notice, execute and deliver to the Landlord a statement in writing certifying:
  - (a) that this Lease is unmodified and is in full force and effect (or if modified stating the modifications and confirming that the Lease is in full force and effect as modified);
  - (b) the amount of Rent being paid;
  - (c) the dates to which Rent has been paid;
  - (d) other charges payable under this Lease which have been paid;
  - (e) particulars of any prepayment of Rent or security deposits; and,
  - (f) particulars of any sub tenancies.

#### **15.SUBORDINATION AND POSTPONEMENT**

- (1) This Lease and all the rights of the Tenant under this Lease are subject and subordinate to any and all charges against the land, buildings or improvements of which the Leased Premises form part, whether the charge is in the nature of a mortgage, trust deed, lien or any other form of charge arising from the

financing or re-financing, including extensions or renewals, of the Landlord's interest in the Property.

- (2) Upon the request of the Landlord the Tenant will execute any form required to subordinate this Lease and the Tenant's rights to any such charge, and will, if required, attorn to the holder of the charge.
- (3) No subordination by the Tenant shall have the effect of permitting the holder of any charge to disturb the occupation and possession of the Leased Premises by the Tenant as long as the Tenant performs his obligations under this Lease.

## **16. RULES AND REGULATIONS**

The Tenant agrees on behalf of itself and all persons entering the Leased Premises with the Tenant's authority or permission to abide by such reasonable rules, standards and regulations of the Airport and/or Property which shall form part of this Lease and as the Landlord may make and/or amend from time to time.

## **17. NOTICE**

- (1) Any notice required or permitted to be given by one party to the other pursuant to the terms of this Lease may be given

To the Landlord at:

Tillsonburg Regional Airport  
Attn: Airport Manager  
244411 Airport Rd  
South-West Oxford, On  
N4G 4H1  
Fax: 519-842-3445

To the Tenant at the Leased Premises or at:

BlueStar Hangar Inc.  
50 Clearview Drive  
Tillsonburg ON N4G 4GH  
ATTN: Michael Perovich, President

- (2) The above addresses may be changed at any time by giving ten (10) days written notice.
- (3) Any notice given by one party to the other in accordance with the provisions of this Lease shall be deemed conclusively to have been received on the date delivered if the notice is served personally or seventy-two (72) hours after mailing if the notice is mailed.

## **18. REGISTRATION**

The Tenant shall not at any time register notice of or a copy of this Lease on title to the Property of which the Leased Premises form part without consent of the Landlord.

## 19. INTERPRETATION

- (1) The words importing the singular number only shall include the plural, and vice versa, and words importing the masculine, feminine or neutral gender shall include the other genders, and words importing persons shall include firms and corporations and vice versa.
- (2) Unless the context otherwise requires, the word "Landlord" and the word "Tenant" wherever used herein shall be construed to include the executors, administrators, successors and assigns of the Landlord and Tenant, respectively.
- (3) When there are two or more Tenants bound by the same covenants herein contained, their obligations shall be joint and several.

## 20. MISCELLANEOUS

- (1) Unless otherwise stipulated, parking, if applicable, in the common parking area shall be in common and unreserved.
- (2) If a dispute should arise between the Parties in the interpretation of this Agreement then both parties agree that such dispute shall be referred to binding arbitration and be bound by the result of such arbitration. The terms, form and procedure of the arbitration shall be in accordance with the *Arbitration Act* or any successor legislation. The parties further agree that the arbitrator shall be jointly chosen and the arbitrator shall have the ability to award costs of the arbitration. This clause shall not apply if the Tenant is in default under the terms of the Lease which include but are not limited to:
  - (a) its obligations to pay Rent, Base Rent and/or Additional Rent;
  - (b) non-repair or maintenance of the Leased Premises;
  - (c) subleased the Leased Premises without the authorization of the Landlord, acting reasonably;
  - (d) changed its use of the Leased Premises; or,
  - (e) used the Leased Premises in any manner contrary to Article 7.
- (3) In the event that any clause herein should be unenforceable or be declared invalid for any reason whatsoever, such enforce ability or invalidity shall not affect the enforce ability or validity of the remaining portions of the covenants and such unenforceable or invalid portions shall be severable from the remainder of this Lease.
- (4) This Lease shall be construed and enforced in accordance with the laws of the Province of Ontario. Any proceeding shall be brought at the City of Woodstock in the County of Oxford, Ontario.
- (5) The Tenant hereby agrees that it has had an opportunity to review the terms of

this Lease and seek independent legal advice.

- (6) Should any provision of this Lease require judicial interpretation or arbitration, it is agreed that the court or arbitrator interpreting or construing the same shall not apply a presumption that the terms thereof shall be more strictly construed against one party by reason of the rule of construction that a document is to be construed more strictly against the party who itself or through its agent prepared the same, it be agreed that both parties have participated in the preparation hereof.
- (7) This Lease and it's schedules constitutes the entire agreement between the Parties hereto pertaining to the subject matter hereof and supersedes all prior and contemporaneous agreements, understandings, negotiations and discussions, whether oral or written, of the parties and there are no warranties, representations or other agreements between the Parties in connection with the subject matter hereof, except as specifically set forth herein. No supplement, modification, waiver or termination of this Lease shall be binding unless executed in writing by the Parties.
- (8) The Tenant agrees that it has not relied upon any representation, promise or warranty of the Landlord with respect to the condition of the Leased Premises, Hangar or any representation or promise of the Landlord to repair, renovate or otherwise alter the Leased Premises in any manner prior to or after commencement of the Term. The Parties agree that the Leased Premises are being offered to the Tenant in an "as is" condition. The Tenant shall not call on or demand the Landlord to perform any repairs or renovations prior to or after it obtains possession. The Tenant acknowledges that it has performed its own due diligence in establishing the state of repair of the Leased Premises including the Hangar.

In Witness of the foregoing covenants the Landlord and the Tenant have executed this Lease.

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Landlord  
Deb Gilvesy, Mayor  
The Corporation of the Town of Tillsonburg

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Landlord  
Kyle Pratt, Chief Administrative Officer  
The Corporation of the Town of Tillsonburg  
We have authority to bind the Corporation.



Per:

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Witness

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Mike Perovich, President  
BlueStar Hangar Inc.  
Tenant

Hangar Land Lease Memorandum of Understanding Taxiway C1-10