COURT FILE NUMBER	2303 01855
COURT	COURT OF KING'S BENCH OF ALBERTA
JUDICIAL CENTRE	EDMONTON
PLAINTIFF	BANK OF MONTREAL
DEFENDANT	1194038 ALBERTA LTD., and ALAN DOBISH, also known as ALLAN DOBISH
DOCUMENT	**AFFIDAVIT**
ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT	Sharek Logan & van Leenen LLP Barristers & Solicitors 2100 Scotia Place, 10060 Jasper Avenue NW Edmonton, Alberta, T5J 3R8 **Attn: Amber M. Poburan** File: MAT22306 Phone: 780.413.3105 Fax: 780.413.3100

I, Alan Dobish, of the City of Edmonton, in the Province of Alberta, make oath and say that:

1. I am an individual Defendant in this Action, and am the sole director and shareholder of 1194038 Alberta Ltd. ("**119**") and, as such, have knowledge of the matters hereinafter deposed to, except where stated to be based on information and belief and, where so stated, I verily believe the same to be true.

2. Previously, I operated a number of businesses in and around Edmonton, including owning and operating a Mr. Entertainment in West Edmonton Mall, and functioning as landlord for property located at 10103 – 175 Street, Edmonton, AB, and legally described as:

   PLAN 7722579
   BLOCK 2
   LOT 7
   EXCEPTING THEREOUT ALL MINES AND MINERALS
   (the "**Property**").

3. A copy of title to the Property is attached hereto as **Exhibit "A"**.

4. 119 purchased the Property in October, 2005, for a purchase price of approximately $2,300,000. 119 initially financed this purchase by way of a mortgage provided by Servus Credit Union. This was refinanced in favour of ATB Financial ("**ATB**") in 2009.

5. In or around February, 2007, Canadian Tire Real Estate Limited ("**Canadian Tire**") negotiated a lease agreement for the Property. At the time I was operating another

business out of the Property, which gave vacant possession on or about June of 2008. Canadian Tire took possession of the Property that month.

6. The current lease, attached hereto as **Exhibit "B"** (the "**Lease**") was for a term commencing on or about July 1, 2008, and expiring on July 1, 2018.

7. Canadian Tire currently operates a Parts Source retail store from the Property ("**Parts Source**"), and they have leased the Property consistently since the date of possession, without ever missing a rent or other payment.

8. Canadian Tire registered a caveat protecting their interest on March 31, 2009, and have continued their tenancy since that time.

9. Canadian Tire currently pays the sum of $38,502.15 gross rent per month for the Lease of the Property, which includes rent, property taxes, and insurance. All of the utilities for the Property are paid by Canadian Tire.

10. Since that initial lease in 2009, Canadian Tire has consistently renewed their lease in the Property.

11. In advance of the expiration of the Lease, Canadian Tire agreed to a Lease extension of five years, which has never gone into default, and has been an ideal, and spotless tenancy.

12. Canadian Tire has further agreed to an early renewal for a five year term, ending in 2028 (the "**Lease Renewal**"), pursuant to the Lease. A copy of that confirmation is attached hereto as **Exhibit "C"**.

13. In the summer of 2022, I engaged the services of Frost and Associates ("**Frost**") to perform an appraisal on the Property, taking into account the tenants of the same, who are impeccably reliable (the "**Appraisal**"). A copy of the Appraisal is attached hereto as **Exhibit "D"**.

14. Frost chose, I believe correctly, to value the Property based on an income approach. The Property is the sole asset of 119, and has consistently, without exception, made money by way of income from leasing to commercial tenants. The Lease is a valuable asset of 119, and is guaranteed to continue generating income for 119 until at least September 23, 2028.

15. Frost made the following observations in respect of the Property:

    a. The current market value of the Property, as at July of 2022, was $5,320,000 (the "**Property's Value**);

    b. The Property is improved with a ~20,397 square foot business complex, which is further improved with a ~6,722 square foot retail showroom, and a ~13,675 square foot warehouse (the "**Space**");

    c. The Property, being built in 1979, will, with regular maintenance, have a remaining economic life of 30 years or more;

d. The "highest and best use" of the Property is that which it is currently engaged in: namely, as a commercial industrial complex;

e. Of the approaches to valuing the Property, being a "cost approach", an "income approach" and a "direct comparison approach", the Property is best valued on the income approach, which focuses on income generated by the leasing of the Property;

f. The Space is fully leased until September 23, 2028, with options to renew further;

g. The current Lease payments being made by Canadian Tire are within market norms, and there is the potential for further negotiations beyond the Lease Renewal to extend the Lease further;

h. The operating expenses of 119 in leasing the Property comprise approximately 2% of the expense contributable to the Property itself;

i. The capitalization rate for the Property is estimated at 5.5 – 6.5%;

j. In coming to their conclusion on the Property's Value, Frost considered the location of the Property, its age, condition, and the current Lease in place; and

k. Even on a direct comparison approach, comparing the Property with other, similar properties, Frost values the Property at $5,201,235.

16. On or about April 6, 2022, 119 received an offer to purchase the Property for $5,400,000 (the "**Offer to Purchase**"). A copy of that Offer to Purchase is attached hereto as **Exhibit "E"**. 119 countered the Offer to Purchase by way of Counteroffer dated April 12, 2022, seeking a purchase price of $6,025,000, and the proposed purchaser further countered that same day with an offer to purchase for $5,800,000. Copies of those counteroffers are attached here as **Exhibit "F"**.

17. Unfortunately, as a result of delays on the part of the purchaser the transaction did not proceed.

18. I understand that capitalization rates have increased. However, I strongly believe the Property has retained its estimated value at $5,300,000. Attached hereto as **Exhibit "G"** is a copy of the Colliers Q4, 2022 Canada Cap Rate Report for properties in Edmonton. Of note, Colliers observes that, in respect of Industrial properties:

a. Rental rates continue to trend higher; and

b. Capitalization rates have not increased tangibly.

Financing History

19. Before my involvement with BMO, I dealt primarily with ATB as 119's financial institution. In approximately June of 2016, I approached mortgage brokers Canada ICI Capitol Corporation to assist in 119 obtaining additional financing ("**Canada ICI**"). Canada ICI approached a number of banks, and I understand they approached the Plaintiff, the

Bank of Montreal ("**BMO**") who provided a letter of interest in respect of the refinancing (the "**LOI**").

20. At this time 119 also received a further $250,000 loan from ATB (the "**Further Advance**"). Attached hereto as **Exhibit "H"** is the payout statement from ATB, dated October 3, 2016, itemizing 119's total obligations to ATB to be paid out in the sum of $3,081,796.98. The Further Advance formed part of the variable loan described as Loan #02.

21. Pursuant to the LOI, BMO and 119 agreed that BMO would advance to 119 the sum of $3,700,000 in order to consolidate 119's debts, taking into account the payment of the Further Advance, and take out ATB's loans in full (the "**Initial LOI**").

22. As evidence that the sum of $3,700,000 was being sought by 119, I have attached here as **Exhibit "I"** is a letter of intent that 119 received from CMLS Financial indicating that they were in a position to advance up to $3,750,000 by way of loan to 119.

23. My account manager with BMO at the time was Christopher Cameron ("**Chris**"), and he walked me through the refinancing, the loan amount, and the conditions that accompanied the advance proposed under the LOI.

24. It was understood and agreed that BMO would register a mortgage against the Property to secure the Initial LOI amount for the full balance to be advanced, being $3,700,000.

25. In support of the Initial LOI, I reached out to ATB to provide a reference letter in respect of my, and 119's, solvency and history in respect of our loan repayments. Attached hereto as **Exhibit "J"** is a copy of the letter from ATB to Chris, dated September 22, 2016, advising that myself and 119 have consistently made all payments on time, and remitted with any delay.

26. It was also a condition of the Initial LOI that 119 perform roof repairs to the Property (the "**Roof Repairs**"). 119 completed the Roof Repairs. Attached hereto as **Exhibit "K"** is a copy of the Roofing Report performed by West Point Roofing Inc. on June 14, 2017, as well as the invoice for that work. The total cost of the Roof Repairs was $62,758.50.

27. Unfortunately, there was some miscommunication between Canada ICI and BMO that resulted in BMO failing to include the Further Advance in its payout of ATB. As a result, BMO provided an approval letter in September of 2016 which reflected a total loan amount of $3,500,000, $200,000 less than the amounts contemplated in the LOI (the "**First Loan**"). A copy of the letter of agreement for the First Loan is attached hereto as **Exhibit "L"**.

Secondary Financing

28. 119 was required to seek alternative financing to payout the Further Advance by ATB, as well as other financial obligations that were disclosed to BMO. I began approaching third party lenders recommended to me by one of my lawyers in September of 2016. At that time I was very clear with BMO, and particularly Chris, that this funding was in progress

and that it was required to enable me to fully pay out ATB and close on other obligations of 119.

29. I approached Joginder Sunner and Guggendeep Jawanda, private financers (the "**Second Financers**"), and was able to reach an agreement that they would advance 119 the sum of $200,000 and that 119 would be responsible for paying interest only until such time as the loan was paid in full (the "**200k Loan**"). Guggendeep Jawanda later advanced 119 a loan in the sum of $60,000 for the Roof Repairs on the same terms (the "**60k Loan**").

30. Chris, on behalf of BMO, advised me expressly that the financing from the Second Financers could proceed *as long as* I ensured that BMO's security against the Property was registered first, and was subordinate to the security of the Second Financers.

31. The Second Financers ultimately took security against 119 by way of two mortgages on the Property (the "**Second Financers' Mortgages**"). The Second Financers' Mortgages were registered at the Alberta Land Titles Office on January 14, 2017, as registration number 172 013 417, and January 13, 2018, as registration number 182 010 575 respectively.

32. Aside from the express permission of a representative of BMO to obtain funds from the Second Financers, BMO was on notice of their registered security as of at least five years ago.

33. The Second Financers also took security by way of mortgage against property owned by my other business, Trespass Music Ltd. (the "**Trespass Property**"). Trespass Music Ltd. ("**Trespass**") ceased operations on or about September of 2022, as a result of Covid, the details of which will be outlined further herein.

34. A copy of title to the Trespass Property, now in the name of the purchaser, is attached hereto as **Exhibit "M"**. This property is unrelated to 119 and at no time was charged in favour of BMO.

35. I have reviewed the payments 119 has made to the Second Financers as a result of BMO's failure to provide the $3,700,000 contemplated in the Initial LOI, 119 has been required to pay interest to the Second Financers in the sum of $3,316.67 per month since October of 2016.

36. The principal balance of $260,000 remains owing to the Second Financers; however, 119 was required to spend a total of $255,382.05 in interest to the Second Financers, which, among other things including the impact Covid had on Trespass, resulted in the tax arrears at issue in this Action. I believe that the sum of payments to the Second Financers would have entirely covered the taxes for 119.

37. It is a term of the First Loan that, taking into account the approximately $200,000 that was not being advanced pursuant to the Initial LOI, BMO would do an additional advance of $200,000 on review of 119's 2017 fiscal statements (the "**Holdback**").

38. The further $200,000 was never advanced: despite consistent correspondence with BMO requesting the same, 119 did not ever receive the Holdback, which would have

been instrumental in either paying off the Second Financers, or paying down the tax debt of 119.

Tax Arrears

39. BMO's failure or refusal to advance the further $200,000 as agreed contributed to the tax arrears that I personally, and 119, presently face.

40. Aside from those heldback funds, there were issues in respect of my personal income tax and the taxes for 119. In respect of my personal income tax, I provided documentation to my accountant every year to enable him to file my taxes. I understand that he did in fact file my taxes each year; however, beginning in 2008, my accountant was diagnosed with an illness that unfortunately affected his work and his ability to concentrate on the accuracy of his files.

41. Attached hereto as **Exhibit "N"** is a letter from my accountant, dated April 10, 2017 indicating that, as a result of his serious health issues, he made a number of errors in respect of my personal taxes. Those errors resulted in my taxes for subsequent years being reassessed by CRA, who determined that additional amounts were owing.

42. In respect of the corporate tax and GST arrears, I can advise that those arrears are a direct result of the impact of Covid on the operations of my other business, Trespass. Trespass was operating a music store out of West Edmonton Mall, but during the Covid lock-downs and the health directives to avoid public places, the business was struggling substantially. As Trespass contributed money to 119's initial purchase of the Property, 119 advanced funds to Trespass to allow it to maintain its expenses.

43. During this period BMO continued to refuse to advance the Holdback. Further, as detailed below, BMO provided a letter of agreement in respect of a second loan at the expiration of the First Loan, for an additional advance of $575,000 which would enable 119 to pay off all of its tax arrears, perform work in respect of HVAC repairs, and deal with the Secondary Financers' Mortgages. However, upon the missed delivery of three post-dated cheques for 119's monthly mortgage payments BMO refused to advance further sums.

44. I am in the process of taking out the Second Financers by way of a private loan, after which the proceeds from the sale of the Trespass Property will be applied towards 119's GST and income tax arrears, with any balance to be applied to my personal tax arrears. Attached hereto as **Exhibit "O"** is a copy of the Statement of Adjustments reflecting the sale of the Trespass Property.

45. I have executed documents to this effect, and expect to be in a position to pay out 119's tax obligations within the next month or so.

Missed Payments

46. I spend a substantial amount of time in the United States for both business and personal needs. As 119's business consists simply of collecting rent from Canadian Tire, I am not deeply involved in the day-to-day financials of the company. I rarely monitor 119's business while I am away.

47. From the beginning of 119's relationship with BMO until the beginning of 2022, all of 119's payments to BMO were paid on time and without issue. The First Loan expired in December of 2021, and I was in active negotiations with BMO regarding further financing for 119 at that time.

48. In October of 2021, an individual responsible for remitting payment for the BMO loans while I am out of country, Roger, suffered a very serious heart attack. He was required to undergo a double bypass surgery on his heart.

49. In preparation for a trip to the United States, I had filled out post-dated cheques payable to BMO for the months of January, February, and March, and left them with Roger to deliver to BMO upon his return to work in January of 2022. Unfortunately, Roger did not deliver the post-dated cheques as a result of his recovery and the medications he was taking for the same, and he forgot a number of work tasks, including sending the cheques to BMO.

50. I was completely unaware of the non-payment until March 8, 2022, when Jaye Hubbard ("**Jaye**") reached out and advised me that 119 had three months' worth of missed payments (the "**Missed Payments**"). In the past, BMO has always advised me fairly quickly of any issues or concerns.

51. I immediately coordinated payment of the Missed Payments to BMO. Since that incident, 119 has, again, been current on its payments to BMO and there have been no issues in respect of the same.

52. I believe that these missed payments, corresponding with the refinancing timeframe for my loan with BMO, caused BMO to refuse to extend my financing any further, despite the fact that I advised them of the issue and immediately rectified the same.

53. Attached hereto as **Exhibit "P"** is a copy of email correspondence between myself and BMO advising of the situation leading up to the missed payments.

Refinancing History

54. The loan advanced under the First LOA was for a term of five years. As a result, beginning in the late fall of 2021, I began having conversations with BMO staff regarding re-amortizing or refinancing 119's BMO loans, as well as conversations regarding further financing to deal with certain 119 debts.

55. Before I began discussions regarding extending or renegotiating my loan with BMO, I had filled out a customer satisfaction survey for BMO and indicated my frustrations in

obtaining the funds originally agreed in the Initial LOI, and the funds comprising the Holdback.

56. Given the substantial equity in the Property, and the consistent flow of income from Canadian Tire, I could not understand why the Holdback that BMO agreed to advance did not ever occur. The non-release of the Holdback directly resulted in 119 entering into the Second Financers' Mortgages, as well as contributing to the tax debt incurred by 119.

57. I was contacted by Jaye, the regional BMO director of income property finance, in respect of dealing with 119's existing loans, and potential financing to consolidate all of 119's debts going forward.

58. On or about December of 2021, I was working closely with BMO in respect of a refinancing or a revision of the terms of the First Loan. Primarily, I was seeking a further advance from BMO.

59. On December 21, 2021, I received correspondence from BMO enclosing a further loan approval in favour of 119 (the "**Second Loan**"). At that time, BMO and I agreed and understood that:

    a. BMO would renew the loans to 119 under the First Loan, and would re-amortize the existing mortgage on the Property over 240 months or 20 years;

    b. BMO would extend new financing to 119, by way of a loan in the sum of \$535,000 to pay off existing tax debt, the cost of HVAC repairs for the Property, the Second Financers, and a further loan I advanced to my sister;

    c. No new security would be required of 119.

60. Attached hereto as **Exhibit "Q"** is an email from a BMO representative, Jaye Hubbard, itemizing those conditions and attaching the Second LOA.

61. When the Missed Payments arose, and despite being advised of the circumstances giving rise to the Missed Payments, BMO indicated that they would not be advancing the Second Loan.

62. During this time, between December of 2021, and April of 2022, I exchanged emails with various BMO staff, including Jaye, Adam Sisulak, and Michelle Madrigga ("**Michelle**").

63. I believe that 119's financing with BMO hit an impassable roadblock in my dealings with Michelle. On several occasions I requested to have telephone conversations with her regarding the status of 119's accounts, and next steps.

64. During our email correspondence, Michelle indicated that we could schedule a call to discuss the Third Agreed Loan only when I provided written authorization for the Second Financers' Mortgages.

65. Michelle sent 119 a letter, attached hereto as **Exhibit "R"**, in which BMO requested that I sign on behalf of 119 acknowledging a number of defaults. I disagree that 119 is in default of the First Loan insofar as it entered into the Second Financers' Mortgages, as

Chris was not only advised of those loans, but worked with me to coordinate registration of the same in a manner that would not prejudice BMO.

66. Our discussions in this regarding via email are attached hereto as **Exhibit "S"**.

Attempts at Refinancing/Paying Out BMO

67. Beginning around the spring or summer of 2022, I began having discussions with BMO regarding refinancing or repayment of the BMO loan to 119.

68. Since that time I have taken proactive steps to obtain refinancing from third parties sufficient to pay out BMO.

69. 119's year end is in May, and 119's accountants will be preparing its annual returns and financial statements. These statements are essential in ultimately obtaining new financing to pay out BMO.

70. Attached hereto as **Exhibit "T"**, are emails between myself and Dominion Lending ("**Dominion**"). Dominion was and continues to help 119 try to obtain refinancing. Further attached as **Exhibit "U"** is a letter of engagement between 119 and Alberta Business Loans whereby Alberta Business Loans has agreed to assist 119 in obtaining financing in the sum of $3,200,000.

71. In an email of August 18, 2022, Henry Gill with Dominion forwarded a proposed letter of intent from Canadian Western Bank, and advised that it was "just one offer as we are waiting on another 2 or 3". A copy of the Canadian Western Bank letter is attached hereto as **Exhibit "V"**.

72. 119 remains in correspondence with Canadian Western Bank, but I appreciate that I need to take care of 119's outstanding GST first and foremost, which will then greatly increase my chances of refinancing.

73. As at February of this year, I continue working with Dominion, and in mid-January Dominion began updating my requests for refinancing.

74. As it is my intention to pay 119's GST arrears from the proceeds of the sale of the Trespass Property, I am fully optimistic that 119 will be able to refinance and pay out BMO in full.

75. 119 will, however, require time to do so. 119 is not insolvent, and BMO is very well secured against the Property. 119 needs to perform its year end, prepare financial statements, coordinate payment of the outstanding CRA obligations, and apply for and be approved for new financing which, after the CRA debts are taken care of, is almost certain to be approved.

76. I make this Affidavit in opposition to BMO's application to appoint a receiver over the asset(s) of 119.

77. I further swear that:

a. It was impossible for me to by physically present before the commissioner to swear this Affidavit;

b. I was not physically present before the commissioner, but was linked with the commissioner utilizing video technology;

c. I showed the commissioner my Alberta Driver's License, and believe she has confirmed my identity based on the same;

d. I have reviewed this Affidavit and the Exhibits thereto, and confirm that the copies of the Affidavit reviewed by myself and the Commissioner are identical; and

e. I will send an electronic copy of this Affidavit and Exhibits, initialed on each page, to the commissioner.

Sworn before me at the City of Edmonton, In the Province of Alberta, this 7th day of March, 2023.	))))))	
____________________________ COMMISSIONER FOR OATHS IN AND FOR THE PROVINCE OF ALBERTA		____________________________ ALAN DOBISH

LAND TITLE CERTIFICATE

S

LINC	SHORT LEGAL	TITLE NUMBER
0014 065 461	7722579;2;7	052 462 605

LEGAL DESCRIPTION
PLAN 7722579
BLOCK 2
LOT 7
EXCEPTING THEREOUT ALL MINES AND MINERALS
AREA: 0.543 HECTARES (1.34 ACRES) MORE OR LESS

ESTATE: FEE SIMPLE
ATS REFERENCE: 4;25;53;4;SE

MUNICIPALITY: CITY OF EDMONTON

REFERENCE NUMBER: 002 087 390

This is Exhibit "A" to the Affidavit of Alan Dobish
Sworn before me this 2 day of March A.D. 2023
A Notary Public / A Commissioner for Oaths in and for the Province of Alberta
Amber M. Poburan
Barrister & Solicitor

REGISTERED OWNER(S)

REGISTRATION	DATE(DMY)	DOCUMENT TYPE	VALUE	CONSIDERATION
052 462 605	21/10/2005	TRANSFER OF LAND	$2,300,000	$2,300,000

OWNERS

1194038 ALBERTA LTD.
OF 1304 WELBOURN LANE
EDMONTON
ALBERTA T6M 2M2

ENCUMBRANCES, LIENS & INTERESTS

REGISTRATION NUMBER	DATE (D/M/Y)	PARTICULARS
092 096 831	31/03/2009	CAVEAT RE : LEASE INTEREST CAVEATOR - CANADIAN TIRE REAL ESTATE LIMITED. BOX 770, STATION K 2180 YONGE ST ATTENTION PRESIDENT TORONTO ONTARIO M4P2V8

(CONTINUED)

ENCUMBRANCES, LIENS & INTERESTS

REGISTRATION NUMBER	DATE (D/M/Y)	PARTICULARS
		AGENT - JEFFREY H SELBY
162 289 182	17/10/2016	MORTGAGE MORTGAGEE - BANK OF MONTREAL. 5TH FLOOR, 10199 - 101 STREET, EDMONTON ALBERTA T5J3Y4 ORIGINAL PRINCIPAL AMOUNT: $3,700,000
162 289 183	17/10/2016	CAVEAT RE : ASSIGNMENT OF RENTS AND LEASES CAVEATOR - BANK OF MONTREAL. 5TH FLOOR, 10199 - 101 STREET, EDMONTON ALBERTA T5J3Y4 AGENT - JOHN B WILLIAMS
172 013 417	14/01/2017	MORTGAGE MORTGAGEE - JOGINDER SUNNER MORTGAGEE - GUGGENDEEP JAWANDA BOTH OF: 16404 100 AVE EDMONTON ALBERTA T5P4Y2 ORIGINAL PRINCIPAL AMOUNT: $200,000
182 010 575	13/01/2018	MORTGAGE MORTGAGEE - GUGGENDEEP JAWANDA 16404 100 AVE EDMONTON ALBERTA T5P4Y2 ORIGINAL PRINCIPAL AMOUNT: $60,000

TOTAL INSTRUMENTS: 005

THE REGISTRAR OF TITLES CERTIFIES THIS TO BE AN ACCURATE REPRODUCTION OF THE CERTIFICATE OF TITLE REPRESENTED HEREIN THIS 7 DAY OF MARCH, 2023 AT 10:20 A.M.

ORDER NUMBER: 46655281

CUSTOMER FILE NUMBER: MAT22306

END OF CERTIFICATE

(CONTINUED)

THIS ELECTRONICALLY TRANSMITTED LAND TITLES PRODUCT IS INTENDED FOR THE SOLE USE OF THE ORIGINAL PURCHASER, AND NONE OTHER, SUBJECT TO WHAT IS SET OUT IN THE PARAGRAPH BELOW.

THE ABOVE PROVISIONS DO NOT PROHIBIT THE ORIGINAL PURCHASER FROM INCLUDING THIS UNMODIFIED PRODUCT IN ANY REPORT, OPINION, APPRAISAL OR OTHER ADVICE PREPARED BY THE ORIGINAL PURCHASER AS PART OF THE ORIGINAL PURCHASER APPLYING PROFESSIONAL, CONSULTING OR TECHNICAL EXPERTISE FOR THE BENEFIT OF CLIENT(S).

This is Exhibit "B"
to the Affidavit of
Alan Dobish
Sworn before me this
7 day of March
A.D. 2023

A Notary Public / A Commissioner for Oaths in and for the Province of Alberta
Amber M. Poburan
Barrister & Solicitor

PARTSOURCE
LEASE

Landlord:	1194038 Alberta Ltd.
Tenant:	Canadian Tire Real Estate Limited
Premises:	10103 - 175 Street Edmonton, Alberta

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TABLE OF CONTENTS

LEASE

Made as of and with effect from the 1st day of June, 2008.

BETWEEN:

1194038 ALBERTA LIMITED

(hereinafter called the "**Landlord**")

OF THE FIRST PART;

- and -

CANADIAN TIRE REAL ESTATE LIMITED

(hereinafter called the "**Tenant**")

OF THE SECOND PART.

In consideration of the mutual covenants contained in this Lease, it is agreed by the parties hereto as follows:

BASIC PROVISIONS

The following are certain basic terms and provisions of this Lease (herein called the "Basic Provisions"), which Basic Provisions form part of and are in certain instances referred to in subsequent provisions of this Lease. Any conflict or inconsistency between the Basic Provisions and the other provisions of this Lease shall be resolved in favour of such other provisions.

Address of Shopping Centre:	10103 – 175 Street Edmonton, Alberta
Address of Landlord:	1194038 Alberta Ltd. 1304 Welbourn Lane Edmonton, Alberta T6M 2M2 Attention: Al Dobish Fax: •
Address of Tenant:	Canadian Tire Real Estate Limited 2180 Yonge Street, 15th Floor Toronto, Ontario M4P 2V8 Attention: Vice President, Real Estate Services Fax: (416) 480-3990

Gross Leasable Area of Leased Premises:	20,397 square feet, more or less. Final determination of the actual Gross Leasable Area of the Leased Premises shall be made in accordance with Section 3.4 hereof.
Date for Completion of Landlord's Work:	July 1, 2008 (see Section 2.2 hereof)
Term:	The period of 10 years commencing on the Commencement Date
Extension or Renewal Periods	2, each, for a period of 5 years in accordance with Section 2.4 hereof

Minimum Rent:

Year(s)	Per Square Foot	Estimated Per Month Rate	Estimated Per Year Rate
1 - 5	$14.50	$24,646.38	$295,756.50
6 - 10	$16.25	$27,620.94	$331,451.25

Rent Free Period:	2 months immediately following the Commencement Date
Tenant Improvement Allowance:	None (see Section 2.4 hereof)
Use:	The Leased Premises may be used for an automobile after-market business including the sale of automotive parts and supplies and products as are sold in the majority of the Tenant's stores, and any other legal retail use.

Use Restrictions:

a) Any other legal use shall not conflict with any exclusive right of use, which the Landlord has granted as at the Commencement Date.

b) Notwithstanding the Permitted Use of the Leased Premises as set out above, the Leased Premises shall not be used for the sale and service of musical instruments and related accessories.

c) In no event will the Leased Premises or any other premises in the Shopping Centre be used as a cinema, arcade, health club, bowling alley, massage parlour, sports or game facility, off-track betting club, an establishment for the sale or display of pornographic materials or an establishment which sells or displays used merchandise or second hand goods, or a place of worship.

d) Those uses and activities set forth in Section 6 of Schedule "E", shall be prohibited by the Landlord in, on and from the Shopping Centre, except from the Leased Premises.

AD

PART I
DEFINITIONS

1.1 Definitions

Whenever used in this Lease, any Schedule or Rider annexed hereto or any other document made or given in connection with this Lease, unless the context is inconsistent therewith, the following quoted words or expressions shall have attributed to them the meanings indicated, and all derivatives of such words or expressions shall have the meanings appropriate to the derivation thereof:

"Additional Rent" means any and all sums of money or charges required to be paid by the Tenant under this Lease (except Minimum Rent), whether or not the same are specifically designated as "Additional Rent" or whether or not the same are payable to the Landlord or otherwise.

"Applicable Laws" means all statutes, laws, by-laws, regulations, ordinances, orders and requirements of governmental or other public authorities having jurisdiction, and all amendments thereto, at any time and from time to time in force.

"Business Day" means any day which is not a Saturday, Sunday or statutory holiday in the Province of Alberta.

"Commencement Date" means the later of:

(a) ninety (90) days following the completion of the Landlord's Work as defined in Section 1.1 hereof; and

(b) the Tenant's opening for business from the Leased Premises; and

in any event no later than July 1, 2008.

"Common Areas and Facilities" or **"Common Areas"** means the improvements, facilities and installations forming part of the Development, which are not designated or intended by the Landlord to be leased or granted for the exclusive use of and to any occupant of the Development, and which are provided for the use or benefit of the tenants, their employees, customers and other invitees in common with others entitled to the use or benefit thereof, and includes all sidewalks, parking areas, driveways, access roadways and entrances to and exits from the Development.

"Common Area Costs" means the total of the following costs and expenses incurred by the Landlord in maintaining, operating, repairing and insuring the Common Areas, computed in accordance with generally accepted accounting practices and without duplication, but expressly excepting or, as applicable hereunder offsetting:

(a) costs and expenses incurred as a result of faulty construction or design, improper materials or workmanship, land subsidence or structural defects or weaknesses;

(b) costs of maintenance, repairs or replacements which are the responsibility of the Landlord hereunder;

(c) costs of all maintenance and repairs to and/or replacements of the structural portions of the Development, defined as Structural Repairs;

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(d) costs and expenses which are considered to be capital expenses in accordance with generally accepted accounting principles;

(e) fines, suits, claims, demands, costs, charges and expenses of any kind or nature for which the Landlord is or may become liable by reason of negligent or willful acts or omissions to act on the part of the Landlord or those for whom it is responsible in law or by reason of any breach or violation or non-performance by the Landlord of any covenant, term or provision contained in the leases or other agreements entered into in respect of the Development;

(f) all Landlord's Taxes and penalties, interest or carrying charges relating to the late payment by the Landlord of any taxes;

(g) ground rent (if any) and principal, interest or other carrying charges or mortgage payments or other financing in respect of the Development and all equipment and machinery used in conjunction therewith;

(h) all repairs, replacements, loss, damage, costs or expenses respecting any part of the Development or any personal injury for which the Landlord is or ought to have been insured under the terms of this Lease or to the extent covered by warranties maintained or required to be maintained by the Landlord hereunder or otherwise enjoyed by the Landlord;

(i) all costs and expenses attributable to the conduct or operation of any other premises, occupied or not, or any other tenant's or occupant's business or operation including without limitation in respect of any costs related to repairs, maintenance, heating, ventilation, air-conditioning and utilities, and amounts paid by the Landlord for enforcing or honoring the leases of any other tenant or occupant of the Development or for remedying or fulfilling the obligations, whether to the Landlord or to any other party, of any other tenant or occupant of the Development;

(j) all contributions required to be made by the Landlord to any merchants' association, promotions fund and or marketing fund and any other similar funds and all costs incurred by the Landlord for advertising, promotion and decorating of the Development;

(k) lease commissions, tenant inducements, legal fees, tenant allowances and all other costs expended by the Landlord in connection with leasing any part of the Development;

(l) all costs and expenses related to any Landlord's Work and any work to the Leased Premises or the Development made necessary by the Landlord's non-compliance or the non-compliance of the Landlord's contractors, sub-contractors, suppliers or others for whom the Landlord is responsible at law, with governing codes, by-laws, or regulations and ordinances;

(m) all costs and expenses relating to the purchase, development or construction of the Development or to any alteration, expansion, renovation or remodeling thereof;

(n) costs of removing any Hazardous Substances from any portion of the Development and of remediating any condition of environmental concern in respect of any portion of the Development;

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(o) costs or expenses (including Property Taxes) in respect of any lands, buildings or improvements which are not in actual day to day use as part of the Development or costs or expenses associated with any and all excess lands associated with the Development that form part of the Development that could be improved with a building structure but are not presently developed or improved with a building structure;

(p) the amount of any GST paid or payable by the Landlord on the purchase of goods or services, the cost of which is included in Common Area Costs or in any other item of Additional Rent, to the extent that a credit or offset for such GST is available to the Landlord under applicable legislation in determining the Landlord's net tax liability or refund on account of GST;

(q) depreciation on or amortization of the Development, Common Area and Facilities or any portion thereof and all fixtures, equipment and facilities contained therein except as provided herein;

(r) any amounts directly chargeable to other tenants of the Development for services, costs, utilities and expenses attributable to such tenants and all costs (including Property Taxes) incurred in respect of unleased space;

(s) insurance premiums relating to the contents and/or Leasehold Improvements of other premises in the Development or for any liability policy intended to cover the liability of any tenant or occupant of the Development and insurance against the insolvency of or lack of credit worthiness or the like of any tenant of the Development;

(t) shortfalls in the recovery of costs or expenses included in Common Area Costs, in consequence of disproportionate contributions by tenants as occupants (the "favored tenants") whose premises are, either, excluded from or subject to contractually reduced rates of contribution otherwise charged to other tenants of the Development by the Landlord; provided that any contributions made by such favored tenants shall be applied to reduce such costs or expenses included in Common Area Costs;

(u) costs and expenses included in Common Area Costs attributable to receipts and revenues (whether from rent or any other payment to the Landlord) to the Landlord from any use or occupation of Common Areas and Facilities, including sign and pylon sign receipts and revenues to the extent of such receipts and revenues; provided that such receipts and revenues shall be applied or deducted from Common Area Costs;

(v) any usage or imputed rental charges if any on the administrative offices of the Landlord or its property manager and on any service area, including but not limited to garbage rooms, mechanical rooms, electrical rooms, lobbies, common loading docks, elevator shafts, stairways, corridors or any other Common Facility;

(w) any expenses or charges (in fees or otherwise) related to the administration, operation, leasing, development, management, supervision or ownership of the Development including without limitation fees to any third party manager;

(x) any accounting, auditing, legal, or other professional and consulting services (excepting consulting fee expensed in conjunction with appeals to real property taxes of the Development);

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(y) any charges of the Landlord's executives, officers, owners or shareholders or members of their families;

(z) any tenant signage costs or expense and signs that are not directional or conventional road signs; or signs or pylon signs that includes tenant(s) names or a specified group of tenants' identification. In the case of signage including both Development signage and tenant signage, the costs shall be allocated to Common Area Costs on a proportionate share predicated on the surface areas used by the tenants and the Development name;

(aa) in a mixed use complex, any costs or expenses expended for the use of a specific use, group or type of tenants; such as, elevator expense for non-ground floor tenants in a one level retail complex or costs and expenses (i.e. additional security expense) exclusively for office building lobbies or theatres; and,

(bb) any contingency or reserve fund.

"Development" or **"Shopping Centre"** means the development located or to be located on the Lands and includes any expansion or renovation thereof.

"Environmental Laws" means all statutes, laws, ordinances, codes, rules, regulations, orders, notices and directives now or at any time hereafter in effect regulating, relating to or imposing liability or standards of conduct concerning any material, substance or thing which may be at any time in, on, under or about the Development or any part thereof or emanate therefrom including the *Environmental Protection and Enhancement Act*, R.S.A. 2008 and all other laws in respect of environmental land use or health and safety matters.

"Exclusive Use Area" means any area in the Development not included in the Leased Premises or any other premises designated for lease in the Development, but by lease, license or otherwise have been allocated or designated for the exclusive use of any tenant or occupant of the Development, including without limitation thereto vehicular parking areas exclusively allocated to any tenant or occupant and its invitees to the exclusion of others, food fairs and/or food courts, kiosks and portable vendors, seasonal sales areas and garden centres, drive-thru areas and related vehicular stacking areas, and recreational or entertainment facilities.

"Extension Terms" means the extension terms provided for in Section 2.4 and "Extension Term" means any one of them.

"Force Majeure" means a fire, strike, lock-out or other casualty or contingency beyond the reasonable control and not the fault of the party thereby affected, where the effects of such casualty or contingency are not avoidable by the exercise of reasonable effort or foresight by such party (but does not include insolvency, lack of funds, or other financial casualty or contingency).

"GLA" or **"Gross Leaseable Area"** means the area expressed in square feet of the Leased Premises, which shall be verified by a Professional Certificate obtained by the Landlord at the Landlord's cost, and Gross Leaseable Area as applied to any interior rentable premises in the Shopping Centre, means the aggregate floor area thereof at grade (but excluding the floor area of any mezzanine) expressed in square feet, calculated by measuring from the exterior face of all exterior walls, the exterior face of all interior walls separating rentable premises from interior common areas and other areas not intended to be leased, and the centre line of walls separating rentable premises from any adjoining rentable premises, but excluding the area of all electrical and mechanical vaults and rooms, loading docks and truck receiving and delivery facilities. For greater certainty, the ground floor area of the Leased Premises shall not be

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"grossed-up" or increased to provide for allocation or attribution to tenants of the Shopping Centre's non-rented rentable areas or the Shopping Centre's non-rentable areas such as, but not limited to, common loading docks, lobbies, elevator shafts, stairways, corridors, mechanical or electrical rooms or management offices.

"GST" or **"Goods and Services Tax"** means all sales taxes, good and services taxes and/or value-added taxes imposed by the Government of Canada and the government of the province in which the Shopping Centre is situated.

"Hazardous Substance" means any contaminant, dangerous or potentially dangerous substance, noxious substance, toxic substance, hazardous waste or flammable material or explosive substance, radio-active material or any other waste, substance or material whatsoever covered by or regulated under any Environmental Laws.

"Interest Rate" means the Prime Rate plus five percent (5%).

"Landlord" means 1194038 Alberta Ltd. and its successors and assigns;

"Landlord's Address" is that address shown in the Basic Provisions, or such other address as is designated by the Landlord by written notice to the Tenant.

"Landlord's Work" means the work prescribed as the Landlord's Work in Schedule **"D"** to this Lease.

"Lands" means the lands located in Edmonton, in the Province of Alberta more particularly described in Schedule **"A"** and known municipally as 10103 – 175 Street and shown on the Site Plan.

"Lease Year" means a period of time, the first Lease Year commencing on the Commencement Date and ending on the anniversary of the last day of the calendar month next preceding the Commencement Date, and thereafter each successive Lease Year shall consist of twelve consecutive calendar months, save for the last Lease year of the Term which shall terminate on the expiration or earlier termination of this Lease, as the case may be.

"Leased Premises" or **"Premises"** means the premises within the Shopping Centre having the GLA specified in the Basic Provisions hereof and being located approximately as shown in red on the Site Plan.

"Leasehold Improvements" means all fixtures, improvements, installations, alterations and additions from time to time made, erected or installed within or for the exclusive use of the Leased Premises by or for or on behalf of the Tenant, but excluding trade fixtures, furniture and equipment not in the nature of fixtures.

"Minimum Rent" has the meaning ascribed thereto in Section 3.2 of this Lease.

"No Build Area" or **"No Build Zone"** means that area or those areas described and shown on the Site Plan as the "No Build Zone", and it is expressly understood and agreed that, notwithstanding anything to the contrary expressed or implied in this Lease, throughout the Term and all exercised extensions or renewals thereof, the Tenant shall have a guarantee of:

(a) vista to the parking lot and to Stony Plain Road; and
(b) uninterrupted ingress and egress to the Premises.

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Without limiting the generality of the forgoing, the Landlord shall not erect any buildings or other permanent structures (except for usual signage) in the No Build Zone. These restrictions shall run with and burden the lands of the Shopping Centre for the benefit of the Premises for the duration of the Term (and all exercised extensions and renewals of the term).

"**Offer to Lease**" means the undated Offer to Lease between the Landlord and the Tenant in respect of the Leased Premises.

"**Prime Rate**" means the interest rate per annum as announced by the Bank of Montreal at its principal office in Toronto and reported by it to the Bank of Canada as its prime rate, which is one of its base rates and serves as the basis upon which effective rates of interest are calculated for Canadian dollar loans made in Canada with interest payable as a function of its prime rate as charged from time to time.

"**Professional Certificate**" means a certificate addressed to the Landlord and the Tenant issued by a professional appraiser, architect, chartered accountant, engineer, insurance adviser, land surveyor, quantity surveyor, tax assessor or other independent qualified consultant or adviser appointed by the Landlord in respect of whom the Tenant has no objection and acting within the scope of his appointment and specialty.

"**Real Property Taxes**" means any and all general taxes and school taxes (which includes rates assessments, levies, charges and impositions, but excludes local improvement taxes levied in respect of improvements solely benefiting or required for the Lands and any local improvement taxes levied in conjunction with or as a result of the original construction of the Development or any expansion or renovation thereof), whether general or special, from time to time levied or imposed with respect to real property (including land, buildings, fixtures, and accessories and improvements to them) by municipal or other governmental authorities having jurisdiction; interest, fines or penalties for non-payment or late payment shall be excluded, and taxes which are primarily in the nature of taxes on income, capital, business, place of business or are otherwise personal to the taxpayer and not primarily in the nature of taxes on real property shall be excluded; and to the extent that local improvement charges are to be included as aforesaid and such charges are permitted by the taxing authorities to be paid by installments, the Landlord shall pay same (and shall be deemed to have elected to pay same) by instalments over the longest period for payment as allowed by the taxing authorities.

"**Rent**" means Minimum Rent and Additional Rent.

"**Rent Commencement Date**" means that day which is ninety (90) days after expiry of the Fixturing Period.

"**Rent Free Period**" means that two (2) month period of time within the term of this Lease starting on the Rent Commencement Date during which the Tenant shall be relieved of Minimum Rent as set forth in Section 3.2 hereof, and subject to extension pursuant to Section 2.2 hereof.

"**Site Plan**" means the plan attached as Schedule "**B**" to this Lease.

"**Structural Repairs**" means, and shall be deemed to include repairs to the foundations, exterior walls and load bearing walls, floor slabs, structural floors, roof, and roof deck, columns, down pipes, drains and electrical, plumbing and drainage works leading up to and from the Leased Premises and the Development as well as sub-asphalt parking lot repairs or reconstruction.

"**Tenant**" means Canadian Tire Real Estate Limited and its permitted successors and assigns.

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"**Tenant's Address**" means:

P. O. Box 770, Station "K"
2180 Yonge Street
Toronto, Ontario M4P 2V8

Attention: The President
Facsimile No.: 416-480-3990

or such other address as is designated by the Tenant by written notice to the Landlord.

"**Tenant's Facility**" means the main improvement, containing approximately 20,397 square feet of space, which may be constructed by the Tenant on the Leased Premises.

"**Tenant's Improvements**" means all improvements constructed by or on behalf of the Tenant from time to time on the Lands including the Tenant's Facility.

"**Tenant's Share**" means the amount that the Tenant will contribute to the Common Area Costs as prescribed under this Lease: provided that if reference is made to "**Tenant's Proportionate Share**" such share shall be determined as a fraction the numerator of which is the GLA of the Tenant's Facility and the denominator of which is the sum of the total GLA of the Tenant's Facility plus the total GLA of all other rentable premises located on the Development from time to time.

"**Tenant's Work**" means the work prescribed as the Tenant's Work in Schedule "**D**" to this Lease.

"**Term**" means the Term as set out in the Basic Provisions, commencing on the Commencement Date, plus the part of a month, if any, from the Commencement Date to and including the last day of the month in which the Term commences, together with any renewal or extension thereof;

"**Unavoidable Delay**" has the meaning set out in Section 22.12 of this Lease.

"**Utilities**" means, as set forth in Section 4.3 hereof, all regular, periodic charges regarding utilities and services associated with the Leased Premises, including heat, water, gas, electricity, telephone and garbage disposal. The Landlord shall supply meters for all such utilities that serve the Leased Premises.

1.2 Interpretation

For all purposes of this Lease, except as otherwise expressly provided or as the context otherwise requires:

(a) the terms "this Lease" or "the within Lease" mean this agreement as from time to time supplemented or amended together with all Schedules and other attachments, as from time to time supplemented or amended;

(b) the headings are for convenience only and are not intended as a guide to interpretation of this Lease;

(c) the words "including" or "includes", when following any general term or statement, are not to be construed as limiting the general term or statement to the specific items or matters set forth or to similar items or matters, but rather as permitting the general term or statement to refer to all other items or matters that could reasonably fall within its broadest possible scope;

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(d) a reference to an entity includes a successor to that entity;

(e) a reference to a time or date is to the local time or date at Edmonton, Alberta; and

(f) words importing the masculine gender include the feminine or neuter, words in the singular include the plural, words importing a corporate entity include individuals, and vice versa.

1.3 Schedules

The following Schedules are attached hereto and form a part of this Lease as if incorporated herein:

Schedule "A"	Legal Description
Schedule "B"	Site Plan
Schedule "C"	Trade Fixtures, etc.
Schedule "D"	Landlord's Work / Tenant's Work
Schedule "E"	Special Provisions
Schedule "F"	Non-Disturbance Agreement

All Schedules are hereby incorporated into this Lease and form an integral part hereof, without further mention or reference or words of incorporation in this Lease. In the event that there is any conflict between any provision in the body of this Lease and the provisions of any Schedule hereto, the provisions of the Schedule will govern and prevail.

PART II
DEMISE, TERM AND EXTENSION

2.1 Demise and Term

In consideration of the rents reserved and the covenants and agreements on the part of the Tenant contained herein, the Landlord hereby demises and leases the Leased Premises to the Tenant, to have and to hold during the Term upon the conditions contained in this Lease. In addition thereto the Landlord hereby grants to the Tenant for the Tenant's exclusive use and control the right and license (to subsist concurrently with this Lease and not terminable unless this Lease is concurrently terminated or has expired, as the case may be) the Exclusive Use Area as same is shown and described on the Site Plan.

2.2 Fixturing

The Landlord and Tenant hereby agree that at all times during the initial construction and preparation of the Development and the Leased Premises, they shall comply with their respective obligations set forth in and shall be subject to the provisions of Schedule "D" attached hereto.

The Landlord shall, at its sole cost and expense, carry out and complete in a good and workmanlike manner and in compliance with all applicable building codes those items of work which are enumerated under the heading "Landlord's Work" in Schedule "D" (including such work as is stated to be carried out in the Shopping Centre) on or before May 15, 2008 in order that the Tenant may complete the Tenant's Work and make such improvements to the Leased Premises as may be required for its tenancy.

The Tenant shall have the right from time to time and at any reasonable time to inspect the Landlord's Work, and all schedules for performance of the Landlord's Work to satisfy itself that the Landlord's Work is being undertaken and carried out satisfactorily to the Tenant and that the Landlord's Work is being carried out on a timely basis. If the Tenant determines that the Landlord's Work is not satisfactory (either or both, as to the quality of the work and/or materials, or as to the timeliness of the work being performed) the Tenant may give written notice of its complaint to the Landlord, whereupon the Landlord will have fourteen (14) days to remedy the Tenant's complaint, failing which the Landlord will be in breach of its obligations both under this agreement and the Lease.

Tenant agrees to take possession of the Leased Premises within ten (10) business days from when the Landlord gives notice that the Leased Premises are substantially complete and the Leased Premises are in a clean and broom swept condition.

NOTWITHSTANDING anything contained in this Lease, in the event Landlord delivers the Leased Premises substantially complete with all Landlord's Work as outlined in Schedule "D" in place to Tenant for vacant possession for the purposes of fixturing after 12:00 A.M. midnight, May 15, 2008 (the "Possession Date"), Landlord agrees and covenants that Tenant shall receive an additional two (2) days of Free Minimum Rent plus Additional Rent for every day past May 15, 2008, the Leased Premises are not available for vacant possession as per the terms of this Proposal to Lease or the Lease. In this event, the commencement date of the Lease is to be adjusted forward accordingly.

Provided further, notwithstanding anything contained in this Lease, in the event the Landlord fails to fully complete the Landlord's Work and deliver the Leased Premises to the Tenant on or before July 1, 2008 then this Lease shall, at the option of the Tenant, be at an end and of no further force and effect and the Landlord shall pay to the Tenant all moneys owing by the Landlord to the Tenant hereunder up to and including the date of termination and refund to the Tenant all amounts paid by the Tenant to the Landlord hereunder, whether on account of prepaid rent or otherwise. The obligation of the Landlord to make the payments set forth in this Section 2.2 shall survive the termination of this Lease.

Upon completion of the Landlord's Work, the Tenant shall commence and thereafter throughout the Fixturing Period diligently carry out and complete those items of work enumerated under the heading "Tenant's Work" in Schedule "E".

No Rent or any other amount shall be payable by the Tenant during the Fixturing Period.

2.3 Improvement Allowance

Intentionally deleted

2.4 Extension Term(s)

(a) The Tenant shall have the right upon written notice to the Landlord given at least six (6) months prior to the expiry of the initial term, to extend the Lease for one (1) further term of five (5) years, upon the same terms and conditions as the initial term, except as to Minimum Rent, which shall be determined at $17.75 p.s.f. of GLA, estimated to be $362,046.75 annual at $30,176.56, and except for options to extend already exercised by the Tenant.

monthly

(b) If the Tenant has exercised the right provided for in Section 2.4(a) hereof, the Tenant shall have the right upon written notice to the Landlord given at least six (6) months prior to the expiry of the first extension term to further extend the Lease for one (1) further term of five (5) years upon the same terms and conditions as the initial term, except as to Minimum Rent, which shall be determined at $19.00 p.s.f. of GLA, estimated to be $387,543.00 annual at $32,295.25 monthly, and except for options to extend already exercised by the Tenant.

PART III
RENT

3.1 Rent

The Tenant covenants to pay to the Landlord during the Term the Rent herein reserved in the manner herein provided.

3.2 Minimum Rent

(a) The Tenant covenants to pay to the Landlord such Minimum Rent as is prescribed in the Basic Provisions, in equal consecutive monthly instalments in advance on the first day of each and every month of the Term.

(b) Notwithstanding 3.2(a) of this Lease, it is expressly stipulated that, if the Landlord defaults in the performance of any covenant or agreement under this Lease, and either:

(i) the default continues for 30 days after receipt of Tenant's written notice specifying the default or,

(ii) if the default is of a type which is not reasonably curable within 30 days and the Landlord fails to commence to cure the default within 30 days after receipt of the notice or fails to diligently pursue the curing of the default to completion,

then the Tenant, so long as the default continues, may incur any reasonable expense necessary to perform the covenant or agreement and the Landlord shall reimburse the Tenant for those expenses upon the receipt of the Tenant's written demand for such expenses (which demand shall be accompanied by documentation evidencing the expense). Further, if the Landlord fails to reimburse Tenant for any such expense within 15 days after receipt of Tenant's written demand or if Landlord fails to reimburse Tenant for any other amount owing under this Lease within 15 days after receipt of Tenant's written demand, then such amount owing under this provision shall bear interest at the Interest Rate from the date the amount is due to the Tenant until paid in full, and the Tenant shall have the right, exercisable in the Tenant's sole and unfettered discretion, to offset the amount owing, including said interest, against Rent or any other sums payable by Tenant under this Lease.

No Rent or any other amount shall be payable by the Tenant during the Fixturing Period.

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3.3 **Payment of Rent**

Payment of Rent shall be made in Canadian currency at the Landlord's Address or at such other place within Canada as the Landlord may from time to time designate in writing to the Tenant.

3.4 **Certification of Gross Leaseable Area**

The Landlord at its sole cost shall arrange for the actual GLA of the Tenant's Facility to be determined and certified in a Professional Certificate addressed to the Landlord and the Tenant and delivered within sixty (60) days after the Commencement Date. The actual rental shall be adjusted upward or downwards retroactively to the Rent Commencement Date in accordance with actual area measurement, but under no circumstances will the Tenant be responsible for Rent or any Additional Rent on any portion of the Premises in excess of 21,009 square feet. If the Professional Certificate evidences that the GLA of the Tenant's Facility is less than 19,000 square feet, the Tenant may terminate its obligations under this Lease.

PART IV
TENANT'S COVENANTS

4.1 **Taxes**

(a) Separate Bill or Assessment. Subject to Section 1 of Schedule "E" attached hereto, the Tenant covenants to pay and discharge all Real Property Taxes imposed during the Term in respect of the Leased Premises or any part or parts thereof or against any property on the Leased Premises owned or brought thereon by the Tenant, together with every tax and license fee in respect of every business carried on thereon or in respect of the occupancy of the Leased Premises by the Tenant. The Tenant's obligation to pay Real Property Taxes shall be determined on the basis of a separate bill or bills respecting the Leased Premises, where available. If the relevant taxing authority does not issue a separate bill or bills for the Leased Premises then the Tenant's obligation in respect thereof shall be computed by applying the relevant tax rate to the assessment of the Leased Premises, if the Leased Premises have been separately assessed by the relevant taxing authority.

(b) No Separate Assessment. Subject to Section 1 of Schedule "E" attached hereto, if there is neither a separate bill or bills for Real Property Taxes charged against the Leased Premises nor a separate assessment of the Leased Premises for any period of time within the Term, then the Tenant shall pay a part of the Real Property Taxes for the Development on the basis of an allocation to be agreed upon by Landlord and the Tenant, both acting reasonably, which allocation shall be on a basis which is equitable and consistent with current assessment methodology in use by the municipal or other responsible assessment authority having jurisdiction in the area in which the Development is located.

(c) Payment of Real Property Taxes. Subject to Section 1 of Schedule "E" attached hereto, if a separate bill for Real Property Taxes is issued for the Leased Premises, the Tenant shall pay the Real Property Taxes directly to the taxing authority. If no separate tax bill is issued for the Leased Premises, the Tenant shall pay to the Landlord the Real Property Taxes payable pursuant to this Section 4.1 in equal consecutive monthly instalments in advance on the first day of each month during the Term. If any Real Property Taxes or instalments thereof become due before the allocation has been agreed upon, in accordance with Section 4.1(b), of the amount payable by the Tenant for Real Property

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Taxes for any particular calendar year during the Term, the Landlord may make a reasonable estimate of the allocation which shall not bind the parties but shall nevertheless be adopted as the basis of the instalments of Real Property Taxes payable by the Tenant and when the allocation has been finally agreed, the parties shall promptly make the appropriate readjustment and additional payment by the Tenant or repayment to the Tenant, as the case may be.

(d) Real Property Taxes to be Pro Rated. The parties agree that any Real Property Taxes imposed in respect of the Leased Premises relating to a fiscal period of the taxing authority, a part of which is included within the Term and a part of which is included in a period of time prior to the commencement of the Term or after the termination of the Term shall be adjusted as between the Landlord and the Tenant as of the date of commencement of the Term or the termination of the Term, as the case may be, so that the Landlord shall pay the proportion of such Real Property Taxes which that part of such fiscal period prior to the commencement of the Term or included in the period of time after the termination of the Term bears to such fiscal period, and the Tenant shall pay the remainder thereof.

(e) Proof of Payment. In the event that Real Property Taxes are payable by the Tenant directly to the taxing authority, the Tenant shall provide official receipts to the Landlord upon request.

(f) Right to Contest Taxes. So long as the Tenant takes reasonable precaution to protect the Landlord from the consequences of the Tenant's failure to pay Real Property Taxes, the Tenant shall have the right to appeal or otherwise contest by appropriate legal proceedings the validity or amount of any Real Property Taxes and business taxes imposed in respect of the Leased Premises or the Tenant's business at the Leased Premises, and the assessments on which such Real Property Taxes or business taxes are based, and if the payment of any such Real Property or business taxes may legally be held in abeyance without subjecting the Landlord or Tenant to any liability of whatsoever nature for failure to so pay, the Tenant may postpone such payment until the final determination of any such proceedings, provided that all such proceedings shall be prosecuted with due diligence and dispatch. The Landlord shall co-operate with the Tenant, to the extent reasonably necessary, in any such proceedings commenced by the Tenant.

(g) Copies of Assessments. The Landlord shall provide the Tenant with a copy of all assessments and tax bills affecting the Leased Premises forthwith upon receipt by it and in any event at least ten (10) days prior to the expiry of any period for appeal or other contesting thereof. On written request from the Tenant the Landlord shall promptly provide to the taxing and assessing authorities such written authorizations as are necessary to enable the Tenant to obtaining from the taxing and assessing authorities such information as the Tenant requires for the purposes of determining the Real Property Taxes and assessment which are applicable or attributable to the Leased Premises.

4.2 Goods and Services Tax

The Tenant shall pay to the Landlord the amount of any Goods and Services Tax, value added tax, sales tax or other like tax payable by the Tenant on any Rent payable by the Tenant under this Lease and which the Landlord is obligated at law to collect from the Tenant.

4.3 **Utilities**

The Tenant shall pay directly to the suppliers, as the same become due, all charges for water, gas, electricity, light, heat or power, telephone or other telecommunication service used on or in connection with the Leased Premises and for connections, fittings, machines, apparatus, meters or other things leased in respect thereof and for all work or services performed by any corporation or commission in connection with such utilities or services.

4.4 **Common Area Costs**

The Tenant shall pay the Tenant's Share of the Common Area Costs in equal monthly installments in advance on the first day of each and every month of the Term. Said monthly installments may be based on the Landlord's estimate of the Common Area Costs for the subject year of the Term, which shall be stipulated in writing from time to time by the Landlord, provided however that the Tenant may continue to pay monthly instalments based on the Landlord's estimate of the Common Area Costs for the first year of the Term until the Landlord has delivered the itemized statement for that year in accordance with Section 4.5 hereof, and so on from year to year thereafter.

4.5 **Re-adjustment of Common Area Costs**

Within sixty (60) days after the end of each year of the Term, the Landlord shall compute the Common Area Costs for that year and the Tenant's Share thereof and shall submit an itemized statement thereof to the Tenant, certified as true and accurate by an officer of the Landlord. Any re-adjustment of Common Area Costs for the subject year due by either party to the other shall be repaid within thirty (30) days after delivery of the Landlord's statement. Notwithstanding any such re-adjustment, in respect of each year of the Term, the Tenant shall have the right to review and audit the records and accounts of the Landlord relating to said Common Area Costs and the Landlord shall, for such purpose, provide copies of all statements, invoices, accounts and other materials which may be relevant to the computation of the Common Area Costs and the Tenant's Share thereof forthwith upon request by the Tenant. Any discrepancy between the amount owed by the Tenant on account of the Tenant's Share of Common Area Costs as disclosed by the Tenant's review and/or audit and the amount actually paid by the Tenant for the particular year shall be repaid to the Tenant forthwith upon demand. In the event that the discrepancy is greater than three percent (3%) of the amount actually paid by the Tenant, the Landlord shall pay the Tenant's costs of conducting said review and/or audit within fifteen (15) days of written demand by the Tenant and shall also pay to the Tenant at the same time an amount equal to fifteen percent (15%) of the payments actually made by the Tenant on account of the Tenant's Share of Common Area Costs in the particular year.

4.6 **Garbage**

The Tenant will be responsible for its own garbage storage and removal.

4.7 **Nuisance**

The Tenant will not do or omit to be done on or upon the Leased Premises anything, which shall result in a nuisance to the Landlord or other tenants of the Development provided that the use of the Leased Premises as a Canadian Tire Retail Store, or as a PartSource shall be deemed not to be a nuisance. The Landlord shall ensure that like covenants are included in the leases of all other tenants of the Development.

4.8 Use

The Tenant may use the Leased Premises for such uses as prescribed in the Basic Provisions, and for any other use permitted by law.

4.9 No Covenant to Operate

The Tenant grants no covenant to operate.

4.10 Surrender on Termination

The Tenant will, at the expiration or sooner termination of the Term, peaceably surrender and yield up to the Landlord the Leased Premises in good repair and condition, reasonable wear and tear excepted.

4.11 Compliance with Environmental Laws

Any Hazardous Substance brought onto or used on the Leased Premises by the Tenant or any person for whom the Tenant is responsible at law shall be transported, used and stored only in accordance with all Applicable Laws. The Tenant will not do or permit or omit to be done on the Leased Premises anything which may cause or increase the likelihood of the escape, seepage, leakage, spillage, release or discharge of any Hazardous Substance on, from or under the Leased Premises. The Tenant will promptly notify the Landlord upon becoming aware of any actual, threatened or potential escape, seepage, leakage, spillage, release or discharge of any Hazardous Substance on, from or under the Leased Premises.

PART V
ASSIGNMENT AND SUBLETTING

5.1 Assignment and Sub-letting, Licences

(a) The Tenant shall be permitted to assign this Lease or to sublease or otherwise transfer possession of the Leased Premises to any of:

(i) a Canadian Tire Associate Dealer or a franchisee of the Tenant;

(ii) an affiliate of the Tenant;

(iii) an assignee in conjunction with the sale of all or substantially all of the Alberta stores comprising the Tenant's retail business described in Section 4.8; or

(iv) a corporation or other legal entity formed as a result of the merger, amalgamation or re-organization of the Tenant with another party or parties provided that the net worth of the successor entity is not less than that of the Tenant at that time,

without any requirement for consent by the Landlord, provided that the Tenant shall in any such event remain liable for the covenants and obligations under this Lease.

(b) The Tenant shall be permitted to allow a part or parts of the Leased Premises to be used or occupied by one or more licencees, concessionaires or franchisees, without any requirement for notification to or consent by the Landlord.

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(c) Subject to the provisions of clauses (a) and (b) of this Section 5.1 and subject to Section 16.1, the Tenant will not effect or permit an assignment of the Lease, will not sublet the Leased Premises and will not part with or share the occupation of the Leased Premises (all of the foregoing herein referred to as a "transfer") without the written consent of the Landlord, such consent not to be unreasonably withheld. The Tenant will give notice to the Landlord of any proposed transfer and will provide the Landlord with the name of the proposed assignee, subtenant or occupant and such additional information as to the financial standing and business history of the proposed assignee, subtenant or occupant as the Landlord, acting reasonably, may request within five (5) Business Days of receipt of the Tenant's notice. Within fifteen (15) Business Days after receipt of said additional information or, if no additional information is requested by the Landlord in accordance with the foregoing, within twenty (20) Business Days after receipt of the Tenant's notice of the proposed transfer, the Landlord will give written notice to the Tenant that the Landlord:

(i) consents to the proposed transfer; or

(ii) does not consent to the proposed transfer, and the grounds for the Landlord's refusal to consent.

In the event the Landlord fails to give written notice to the Tenant in accordance with the foregoing, the Landlord will be deemed to have consented to the proposed transfer.

PART VI
INSURANCE

6.1 Tenant's Insurance

The Tenant shall take out and at all times during the Term keep in force, at its own expense, the following insurance:

(a) comprehensive general liability insurance for bodily injury or death and damage to property of others including blanket contractual liability, owners and contractors protective liability, non-owned automobile and employers liability insurance coverage;

(b) "all risks" property insurance in respect of the Leased Premises and the Tenant's leasehold improvements situated thereon for the full replacement cost thereof, with no co-insurance penalties; and

(c) comprehensive boiler and machinery insurance in respect of boilers, pressure vessels, air-conditioning equipment and miscellaneous electrical apparatus installed in, relating to or serving the Leased Premises or any part thereof and operated by the Tenant or by others (other than the Landlord) on behalf of the Tenant, on a repair and replacement basis.

The insurance described in paragraphs (b) and (c) above shall provide that the insurers specifically waive subrogation rights against the Landlord and its employees, officers and directors, with respect to loss, damage or destruction to the insured property.

Notwithstanding the aforesaid, the Tenant shall not be obligated to take out or keep in force insurance in respect of loss or damage to the Tenant's trade fixtures, furniture, inventory, stock in trade including merchandise or other contents of the Leased Premises.

The Leased Premises will be insured under the Tenant's blanket policy and such policy terms override any lease requirements. Without restricting the generality of the foregoing, and notwithstanding anything to the contrary expressed or implied herein:

(a) The Tenant will not contribute to the cost of any Landlord's insurance except liability and for property loss to the building housing the Leased Premises;

(b) The Landlord's insurance will, either, waive all right of subrogation as against the Tenant or shall name the Tenant as an additional insured; and,

(c) The Tenant will not carry coverage of property to its full replacement value or cost.

The Tenant shall from time to time, whenever reasonably requested, furnish to the Landlord certificates of insurance to evidence the insurance to be kept in force by the Tenant hereunder.

6.2 Landlord's Insurance

The Landlord shall maintain such insurance coverage as would a prudent Landlord of a similar shopping center development including but not limited to the following:

(a) insurance against all risks of loss or damage, including flood and earthquake, covering all buildings forming part of the Development, but excluding the Leased Premises, together with all buildings, equipment and fixed improvements of or associated with such buildings (excluding Tenant's trade fixtures) and upon all other fixed improvements on the Development, all in an amount of not less than the full replacement costs thereof, with no co-insurance penalties;

(b) comprehensive general liability insurance for bodily injury or death and damage to property of others including blanket contractual liability, non-owned automobile and employers liability insurance coverage, with respect to the Landlord's operation of the Development. Such policy or policies shall be written with inclusive limits of not less than five million dollars ($5,000,000.00) for any one accident or occurrence, shall be primary and non-contributory with, and not in excess of, any other insurance obtained by the Tenant, and shall include severability of interest and cross liability clauses;

(c) insurance against loss of the Landlord's gross profits in respect of the Development;

(d) comprehensive boiler and machinery insurance in respect of boilers, pressure vessels, air-conditioning equipment and miscellaneous electrical apparatus installed in, relating to or serving the Development or any part thereof and operated by the Landlord or by others (other than the Tenant) on behalf of the Landlord, on a repair and replacement basis; and

(e) insurance against any other form or forms of loss which any mortgagee of the Development may require from time to time.

The insurance referred to in clauses (a) and (d) above shall provide that the proceeds thereof shall be payable to the Landlord and the Landlord's mortgagee, if any, as their respective interests may appear. Notwithstanding the foregoing, the Landlord covenants with the Tenant that all proceeds of such insurance payable in the event of loss, damage or destruction to the insured property shall be made available for the repair or rebuilding of the insured property, and if any of such proceeds are to be payable to such mortgagee, the Landlord covenants with the Tenant to require such mortgagee to agree in writing, or to be bound by the terms of its mortgage, to make all such proceeds available for such repair or rebuilding regardless of the existence of any mortgage default. The said insurance referred to in clauses (a) and (d) shall further provide that the insurers waive subrogation rights against the Tenant and any subtenant, licensee and other occupant of the Leased Premises and its and their employees, officers and directors with respect to loss, damage or destruction to the insured property.

All insurance referred to in this Section 6.2 shall contain a provision by the insurers to notify the Tenant in writing not less than thirty (30) days before cancelling or reducing coverage.

The Landlord shall from time to time, whenever reasonable requested, furnish to the Tenant certificates of insurance to evidence the insurance to be kept in force by the Landlord.

6.3 Mutual Release

(a) The Landlord and the Tenant each hereby release and forever discharge the other from all actions, causes of action, claims, suits and obligations which it has or may hereafter have against the other for or concerning or by reason of, or in any way connected with or arising out of, or in consequence of, an occurrence in respect of which the releasing party has insurance. For greater certainty, it is hereby stipulated that the within release shall apply whether or not the claim being released was a result of the negligence of the released party or of any person for whom it is responsible in law.

(b) Notwithstanding anything else herein contained, the benefit of the release contained in Section 6.3(a) cannot be claimed by any party which has not maintained the insurance that it is required to maintain in force pursuant to this Lease, and the release shall not, in any circumstance, apply to the excess of any claim above and beyond the limits of insurance that the releasing party maintained or is required by this Lease to maintain in force. For greater certainty, it is hereby stipulated that the release referred to in Section 6.3(a) shall apply to the deductible paid by the releasing party pursuant to any policy of insurance held pursuant to the terms of this Lease.

(c) Nothing contained in this Section 6.3 shall affect the liability of the Landlord and the Tenant to a third party and each of the Landlord and the Tenant shall be entitled to full indemnity and contribution from the other to the extent of the other's fault or negligence respecting a claim brought by a third party against it.

PART VII
LANDLORD'S COVENANTS

7.1 Quiet Enjoyment

The Landlord covenants, warrants and represents that it has full right and power to execute this Lease and to perform the covenants hereof on its part to be performed and to grant the estate demised herein, and covenants that the Tenant shall peaceably and quietly have, hold and enjoy the Leased Premises and all rights, easements, appurtenances and privileges belonging or in any way pertaining thereto during the Term.

7.2 Landlord's Warranties

The Landlord warrants and represents to the Tenant that it has good and marketable title to the Lands, that there are no encumbrances or restrictive covenants or exclusivity rights in place which would prohibit the Tenant from operating its business in the Leased Premises, that the Leased Premises and the Development will at the Lease Commencement Date comply with Applicable Laws.

The Landlord further represents and warrants that there are no restrictive covenants or exclusivity rights in effect affecting the Development or any premises therein other than those listed on Schedule **"D"** attached hereto.

7.3 Hazardous Substances

(a) The Landlord represents and warrants that it has not received nor is it aware of any notice, citation, directive, order, claim, litigation, proceeding, judgment, letter or other communication, written or oral, from any person or governmental department or agency in respect of the environmental condition in, on or under the Development and that the Development is in compliance with the Environmental Laws.

(b) The Tenant shall have no responsibility or liability for any contravention of the Environmental Laws which may exist prior to the Commencement Date on or in or under the Leased Premises or the Development (the "Existing Contamination") or which may occur on or in or under any part of the Leased Premises or the Development following the Commencement Date by reason of migration of Hazardous Substances from other lands (the "New Contamination") unless and only to the extent that the Tenant caused or contributed to such Existing Contamination or New Contamination, and the Landlord shall indemnify, defend and save the Tenant harmless from any and all claims, liabilities, suits, damages, costs and expenses which the Tenant may incur or be subjected to as a result of such Existing Contamination or New Contamination.

7.4 No Special Rights

The Landlord agrees not to enter into and that it has not prior to the Commencement Date entered into any lease or other agreement with any other tenant or occupant of the Development whereby that party is given exclusive rights of use or any other privileges unless the Leased Premises are specifically exempted from the application of those exclusive rights and privileges.

7.5 Landlord's Title

The Landlord shall, on or before the Commencement Date, furnish the Tenant with:

(a) any plans of survey in possession of or available to the Landlord showing the Leased Premises and the Development as constructed;

(b) any architect or surveyor certificates in the possession of or available to the Landlord showing the GLA of the Development as constructed; and

(c) a properly executed written agreement with the Tenant, in form satisfactory to the Tenant (acting reasonably), wherein the holder of any mortgage, hypothec, or claim against the Leased Premises or the Lands consents to this Lease, agrees to be bound by the terms and conditions of this Lease from and after the date (if any) it takes possession of the

Development and agrees to do no act or thing which shall disturb the Tenant's possession of the Leased Premises for any reason other than one which would entitle the Landlord to terminate this Lease in accordance with the provisions hereof. In the event that the Landlord does not provide such agreement to the Tenant on or prior to the Commencement Date, then Rent shall accrue but shall not be payable until such time as such agreement has been delivered to the Tenant as prescribed above.

PART VIII
MAINTENANCE AND REPAIR

8.1 Tenant to Maintain and Repair

The Tenant covenants, at the Tenant's sole cost and expense, to maintain and keep the Leased Premises in a state of good repair, reasonable wear and tear excepted.

The Tenant shall not be responsible for reasonable wear and tear and repairs to the exterior walls, foundations, roof and the structural elements of the building in which the Leased Premises are located. The foregoing excepted matters will be the responsibility of the Landlord to repair and maintain at their sole cost and expense. Subject to the Tenant's obligations as aforesaid, the Landlord shall be responsible at its sole cost and expense for keeping and maintaining in a state of good repair all buildings and improvements forming part of the Shopping Centre, including without limitation the interior and exterior common areas (excluding those items the Tenant is directly responsible for as outlined in Section 8.2) and all utilities and services necessary for the operation of the Shopping Centre, consistent with the standards of a careful and prudent owner.

8.2 Landlord's Repairs

The Landlord covenants throughout the Term to maintain and keep or cause to be maintained and kept in a state of good repair all buildings and improvements forming part of the Development, including without limitation all Structural Repairs, the interior and exterior Common Areas and Facilities and all utilities and services necessary for the operation of the Development, consistent with the standards of a careful and prudent owner, and accordingly the Landlord shall promptly make all necessary repairs.

Charges for Structural Repairs shall be at the Landlord's sole cost and expense and shall not be charged to the Tenant as part of Operating or Common Area Costs. The Landlord shall maintain the Leased Premises watertight at all times, also at its sole cost and expense, with the exception of Permitted expenses and repairs or reconstruction as a result of the Tenant's actions.

PART IX
COMPLIANCE WITH LAWS

9.1 Covenants to Comply

(a) Except as to any repair obligations of the Landlord as set out in this Lease and except in respect of those hazardous substances which are provided for in Section 7.2 hereof, the Tenant covenants that it will throughout the Term, at the Tenant's sole expense, promptly comply with all Applicable Laws from time to time affecting the condition, equipment, maintenance, use and occupation of the Leased Premises;

(b) Except to the extent that the Tenant is responsible for compliance pursuant to clause (a) of this Section 9.1, the Landlord covenants that it will, at no expense to the Tenant, promptly comply or cause prompt compliance with all Applicable Laws from time to time affecting the Development;

(c) The party responsible for compliance pursuant to clause (a) or (b) of this Section 9.1 shall have the right to contest by appropriate legal proceedings, without cost or expense to the other, the validity of any such Applicable Laws referred to in clause (a) or (b) and if by the terms of any such Applicable Laws compliance therewith may legally be held in abeyance without subjecting the Tenant or the Landlord to any liability of whatsoever nature for failure so to comply therewith, the party responsible may postpone compliance therewith until the final determination of any such proceedings, provided that all such proceedings shall be prosecuted with all due diligence and dispatch.

PART X
CONSTRUCTION, ALTERATIONS, ADDITIONS AND FIXTURES

10.1 Construction of Tenant's Facility

The Landlord acknowledges and agrees that the Tenant shall be entitled to enter upon the Leased Premises immediately following completion of the Landlord's Work for the purpose of constructing at its sole expense for its use and occupation the Tenant's Facility. The Tenant may at its sole cost and expense construct the Tenant's Facility in accordance with all Applicable Laws and the Tenant shall obtain at its sole cost and expense all requisite permits, approvals and consents which may be required pursuant to any Applicable Laws.

The Tenant will be responsible to carry out and complete all work necessary, in the Tenant's opinion, to ready the Leased Premises for the opening and operation of the Tenant's business therein, subject to the Landlord's Work, and without limiting the generality of the foregoing, the Tenant will carry out and complete that work as set out and described in Schedule "D" hereto as the "Tenant's Work".

(a) The Landlord acknowledges and agrees that vacant possession of the Leased Premises will be available and the Tenant will be entitled to enter upon the Leased Premises immediately following completion of the Landlord's Work and may construct at its sole expense for its use and occupation its Tenant Improvements. The Tenant shall not be liable for any Minimum Rent or Additional Rent for the period between the date it takes possession of the Leased Premises and the Lease Commencement Date and the Rent Commencement Date save for utility charges. Any construction by the Tenant shall be carried out in accordance with all Applicable Laws and the Tenant shall obtain at its sole cost and expense all requisite permits, approvals and consents which may be required pursuant to any Applicable Laws. The Tenant shall submit to the Landlord plans for the Tenant's work which must conform to building code and applicable municipal by-laws for the Landlord's approval prior to the commencement of the Tenant's work. Landlord approval shall not be unreasonably withheld or delayed. If the Landlord has not provided written notice of its approval or non-approval within five (5) days of receipt of the Tenant's plans, then upon expiry of the five (5) day period, Landlord approval shall be deemed to have been provided. The Tenant shall not be required to obtain Landlord approval provided any changes are less than a value of $50,000.

(b) The Tenant shall have no obligation to remove its improvements upon expiry or other termination of the Lease.

(c) The Tenant shall be entitled to remove its trade fixtures upon expiry or other termination of the Lease, provided it repairs any damage caused by such removal. The Tenant's trade fixtures shall include, but not be limited to, those fixtures set out in Schedule "D" attached hereto.

(d) The Tenant shall have full and absolute right to its distinctive chattels and fixtures which could be associated with the Tenant's operations, which shall never be subject to the Landlord's rights, interests, remedies or claim in ownership or seizure; the Tenant will be allowed to effect any changes to the Leased Premises it considers necessary to keep these distinctive features during the term and upon expiration the Tenant may effect any changes it considers necessary to disassociate itself from the Leased Premises subject to the Landlord's approval not to be unreasonably withheld and delayed.

Without limitation to the foregoing, Tenant shall have full and absolute right to its distinctive chattels and fixtures which could be associated with the Tenant's operations, which shall never be subject to the Landlord's rights, interests, remedies or claim in ownership or seizure; the Tenant will be allowed to effect any changes to the Leased Premises it considers necessary to keep these distinctive features during the term and upon expiration the Tenant may effect any changes it considers necessary to disassociate itself from the Leased Premises.

10.2 Alterations and Additions

The Tenant may at any time and from time to time, subject to the Landlord's approval not to be unreasonably withheld or delayed, at its own expense, make additions, alterations and/or improvements to and upon the Tenant's Facility and may expand or alter the building comprising the Leased Premises, provided that all such alterations and/or improvements shall be made in conformity with all Applicable Laws. The Landlord will co-operate with the Tenant and will execute and deliver promptly upon request any applications, consents or other documents required by the Tenant to obtain permits or otherwise carry out any such alterations and/or improvements. Provided that the Tenant funds the any alterations, improvements, expansions and/ or additions to the building comprising or added to the Leased Premises, there shall be no increase in Minimum Rent as a consequence of any of the foregoing events of alteration or expansion.

All elements of remodelling, alteration, renovation, or redecoration of the Leased Premises are the Tenant's responsibility provided that remodelling, redecoration, or renovation will not be mandatory in the last three (3) years of the lease term (and such similar time in all renewals).

Notwithstanding the above, the Tenants shall be permitted to make new structural additions, alterations, and/or improvements without Landlord approval provided said alterations, additions or improvements are of a value equal to or less than $50,000.

10.3 Roof-Top Systems

Subject to the Landlord's approval not be unreasonably withheld or delayed, the Tenant shall have the right to install (including installation prior to the commencement of the Term), maintain, repair, operate and replace on the roof of the Tenant's Facility such mechanical, electrical, plumbing, telecommunication, satellite, heating, ventilation and air-conditioning equipment and facilities and such other systems as are required by the Tenant in the operation of its business at the Leased Premises.

10.4 Trade Fixtures, Machinery and Equipment

All Tenant's Improvements shall become the property of the Landlord and the Tenant shall not be obligated to remove the Tenant's Improvements upon expiry or other termination of this Lease. Notwithstanding the foregoing, the Landlord agrees that all trade fixtures, chattels and other personal property on the Leased Premises or forming part of the Tenant's Improvements from time to time and those items set out on Schedule "C" may be removed by the Tenant, in its discretion, whether or not same are or are deemed at law to be fixtures, at any time and from time to time during the Term and upon the expiry or sooner termination of the Term, provided the Tenant repairs any damage caused to the Leased Premises by such removal.

PART XI
DAMAGE AND DESTRUCTION

11.1 Damage and Destruction – Leased Premises

(a) Subject to Sections 11.1(b) and (c), if the building or other improvements located on the Leased Premises should be damaged by fire or other casualty so that in the reasonable judgment of the Tenant, the business conducted on the Leased Premises can not be conducted in a normal manner until the building and/or improvements are repaired or reconstructed, then the Tenant shall repair and/or reconstruct the buildings and/or improvements, at the Tenant's sole cost and expense, and this Lease shall continue in force and effect.

(b) If the building or other improvements located on the Leased Premises should be damaged by fire or other casualty so that in the reasonable judgment of the Tenant the business conducted on the Leased Premises can not be conducted in a normal manner until the building and/or improvements are repaired or reconstructed, then the Tenant may, at its option, either (i) repair or reconstruct the building and/or improvements, or (ii) within ninety (90) days after the date of the fire or other casualty pay to the Landlord that portion of the insurance proceeds attributable to the loss of building or other improvements, but not any portion of said proceeds attributable to the Tenant's trade fixtures, equipment, inventory or loss of business, and elect to terminate this Lease and return possession of the Leased Premises to the Landlord, in which event this Lease shall terminate and both parties shall be relieved of any further obligations hereunder.

(c) In the event that the Tenant (i) is required to repair or reconstruct pursuant to Section 11.1(a) or (ii) elects to repair or reconstruct the building and/or improvements pursuant to Section 11.1(b), this Lease shall continue in force and effect except that for so long as the business conducted on the Leased Premises is discontinued by reason of the fire or other casualty (but not for more than four months) the Rent payable shall abate and provided further that the term of the Lease then in effect shall be extended for a period equal to the period of rent abatement.

(d) In any event the Tenant shall be entitled to receive the entire insurance proceeds payable as a result of any damage to the building or improvements on the Leased Premises occurring during the Term, and the Landlord hereby appoints the Tenant its attorney, with full authority to sign all documents, claims or releases in the Landlord's name and stead of any kind required to obtain such releases.

(e) Total damage and destruction of the Leased Premises will occur on destruction determined by the Tenant acting reasonably which would prevent the Tenant's reasonable ability to make in person sales from the Leased Premises, and that the Landlord shall have no right to terminate the Lease on any event of damage or destruction.

11.2 Damage and Destruction – Development

In the event that at any time during the Term, (i) the Common Areas shall become unusable or dangerous or unfit for their usual use as a result of destruction or damage by fire or other casualty or (ii) 40% or more of the GLA of rentable premises in the Development (excluding the Leased Premises) shall become untenantable or dangerous or unfit for their usual use as a result of destruction or damage by fire or other casualty, and in either event such condition continues for at least sixty (60) days, then in any such event the Tenant may at its option upon written notice to the Landlord terminate this Lease and return possession of the Leased Premises to the Landlord, in which event this Lease shall terminate and both parties shall be relieved of any further obligations hereunder.

PART XII
DEFAULT OF TENANT AND REMEDIES OF LANDLORD

12.1 Bankruptcy or Insolvency of Tenant

If during the Term the Tenant shall make an assignment for the benefit of creditors or shall become bankrupt or take advantage in respect of its own affairs of any statute for relief or protection of bankrupt or insolvent debtors, or if a receiving order is made against the Tenant, or if the Tenant is adjudged bankrupt or insolvent, or if a liquidator or receiver of any property of the Tenant is appointed by reason of any actual or alleged insolvency or any default of the Tenant under any mortgage or other obligation, or if the interest of the Tenant in the Leased Premises shall become liable to be taken under any writ of execution or other like process which shall remain undischarged for thirty (30) days, then the occurrence of any such event shall be deemed to be a breach of this Lease, and the then current month's Rent, together with the Rent for the three months next ensuing shall immediately become due and payable, and at the option of the Landlord the Term shall become forfeited and void, and the Landlord may without notice or any form of legal process whatever, forthwith re-enter the Leased Premises or any part thereof in the name of the whole and repossess and enjoy the same as of its former estate, anything contained in any statute or law to the contrary notwithstanding; provided that such forfeiture shall be wholly without prejudice to the right of the Landlord to recover arrears of Rent or damages for any antecedent breach of the Tenant's covenants, obligations and agreements under this Lease, and provided that notwithstanding any such forfeiture, the Landlord may subsequently recover from the Tenant damages for loss of Rent suffered by reason of this Lease having been prematurely terminated.

12.2 Re-Entry on Certain Defaults by Tenant

If:

(a) the Tenant shall be in default in the payment of Rent and such default shall continue for fifteen (15) days after notice thereof given by the Landlord to the Tenant; or

(b) the Tenant shall be in default in the performance or observance of any of its other covenants or obligations under this Lease and the Landlord shall have given to the Tenant notice of such default, and at the expiration of thirty (30) days after the giving of such notice the default shall continue to exist or, if the default cannot be cured with due diligence within such thirty (30) day period, the Tenant has not commenced to cure such default and is not proceeding diligently to cure such default with reasonable dispatch; or

(e) this Lease shall expire or be forfeited or be terminated pursuant to any other provision hereof;

the Landlord or the Landlord's agents or employees authorized by it may immediately or at any time thereafter re-enter the Leased Premises, may remove all persons and their property therefrom either by summary eviction proceedings or by any other suitable action or proceedings at law, equity or otherwise without being liable to any prosecution or damages therefor, and may repossess and enjoy the Leased Premises and all fixtures and improvements upon the Leased Premises without such entry and repossession working a forfeiture or waiver of the Rents to be paid and the covenants to be performed by the Tenant up to the date of such re-entry and repossession.

12.3 Landlord's Rights to Cure Defaults

Without limiting any other remedy which the Landlord may have, the Landlord shall have the right at all times to enter the Leased Premises for the purpose of curing any default, and the Tenant shall permit such entry. The Landlord shall give not less than seven days' notice to the Tenant of its intention to enter for such purpose but may enter upon a shorter period of notice or without notice where in the Landlord's reasonable judgment there is real or apprehended emergency or danger to persons or property. The Tenant shall reimburse the Landlord upon demand for all reasonable expenses incurred by the Landlord in remedying any default. All such expenses incurred by the Landlord shall bear interest at the Interest Rate from the date of demand to the date of repayment. The Landlord shall be under no obligation to remedy any default of the Tenant, and shall not incur any liability to the Tenant for any action or omission in the course of its remedying or attempting to remedy any such default unless such act or omission amounts to intentional misconduct or negligence of the Landlord.

12.4 Landlord's Additional Remedies

In addition to any other right or remedy the Landlord may have, if the Landlord shall have the right to re-enter the Leased Premises pursuant to Section 12.2, the Landlord may re-let the Leased Premises or any part thereof for a term or terms which may be less but shall not be greater than the balance of the Term and may grant reasonable concessions in connection therewith and the Tenant shall pay to the Landlord on demand all reasonable expenses the Landlord incurs or may incur in connection with such re-letting including, without limitation, brokerage fees, the expenses of keeping the Leased Premises in good order and expenses of repairing the same and preparing them for re-letting.

12.5 Remedies Cumulative

The remedies of the Landlord specified in this Lease are cumulative and are in addition to any remedies of the Landlord at law or equity.

12.6 Effect of Waiver by Landlord

The failure of the Landlord to insist upon the strict performance of any covenant of this Lease shall not be deemed to constitute a waiver of such covenant, and the waiver by the Landlord of any breach of this Lease shall not be deemed a waiver of any future or other breach. The receipt and acceptance by the Landlord of Rent or other monies due hereunder with knowledge of any breach of this Lease by the Tenant shall not be deemed a waiver of such breach. No waiver by the Landlord shall be effective unless made in writing.

12.7 No Distress

The Landlord shall have no right to levy distress in respect of, nor to seize in any manner, any goods or chattels on the Leased Premises.

PART XIII
INDEMNITY

13.1 Indemnity

To the extent not released under Section 6.3, each of the Landlord and the Tenant will protect, defend, indemnify and save harmless the other including the other's directors, officers, employees, agents, contractors (collectively the "indemnified party") in respect of all damages, costs (including without limitation legal costs), fines, suits, claims, demands and actions of any kind or nature which the indemnified party shall or may become liable for or suffer by reason of any breach, violation or non-performance by the party so indemnifying of any covenant, term or provision of this Lease or by reason of any damage, injury or death occasioned to or suffered by any person or persons (including the Landlord or the Tenant, as the case may be) or damage to any property, resulting from any wrongful act, neglect or default on the part of the party so indemnifying or any of its directors, agents, employees, officers or contractors. For greater certainty, it is agreed by each of the parties that, notwithstanding anything else contained in this Lease, the obligations contained in this Section 13.1 shall survive the expiration or earlier termination of this Lease.

PART XIV
ASSIGNMENT AND OTHER DEALINGS BY LANDLORD

14.1 Right of Landlord to Assign or Encumber

The Landlord may assign, mortgage, encumber or otherwise deal with its reversionary interest in the Lands including the Leased Premises subject always to this Lease and all the rights of the Tenant hereunder. To the extent that any purchaser or assignee agrees in writing with the Tenant to assume and be bound by all of the terms, covenants and conditions of the Lease, and if the Landlord is not in default hereunder, the Landlord shall without further written agreement be released from liability hereunder.

14.2 Certificate by Tenant

The Tenant shall, within a reasonable time after receipt of written request from the Landlord, execute an acknowledgement or certificate in favour of any actual or prospective purchaser, mortgagee or encumbrancer of the Landlord's interest in the Lands, acknowledging or certifying as to the status of this Lease, as to any modifications thereof, as to any breaches of covenant known to the Tenant and as to the state of the Rent account, with the intent that any such acknowledgement or certificate may be relied upon by the person to whom it is addressed.

PART XV
PRIORITY OF LEASE

15.1 Priority of Lease

The Tenant shall be entitled to register a caveat, or a notice of this Lease on title to the Development in priority to all hypothecs, mortgages, charges or other encumbrances. In the event that any such hypothec, mortgage, charge or other encumbrance is registered before this Lease, or a memorial, notice of caveat or short form thereof is registered, the Landlord shall (except to the extent that Section 7.5(c) has been complied with) obtain and register a postponement thereof with the intent that the interest of such hypothecary creditor, mortgagee, chargee or encumbrancer shall be subject to the rights of the Tenant under this Lease as if said Lease had been executed and registered prior to the execution and registration of such hypothec, mortgage, charge or encumbrance and to the disbursement of all moneys advanced upon the security thereof.

PART XVI
MORTGAGING OF LEASEHOLD ESTATE

16.1 Mortgaging of Leasehold Estate

The Tenant may at any time mortgage, encumber, pledge or assign as security its interest in the Lease and the Leased Premises and if the mortgagee or other holder of the security (the "secured party") notifies the Landlord in writing, in the manner herein provided for the giving of notice, of the taking by the secured party of such security and the name and place for service of notice upon such secured party, then in such event, the Landlord hereby agrees for the benefit of such secured party or parties from time to time:

(a) That the Landlord will use all reasonable efforts to give to the secured party simultaneously with service on the Tenant a duplicate of any and all notices or demands given by the Landlord to the Tenant from time to time. An inadvertent failure to give notice to the secured party will not invalidate the notice given to the Tenant. Such notice shall be given in the manner and subject to the provisions of Section 22.9 of this Lease;

(b) Such secured party shall have the privilege of performing any of the Tenant's covenants hereunder or of curing any default by the Tenant within the time specified in this Lease or of exercising any election, option or privilege conferred upon the Tenant by the terms of this Lease;

(c) The Landlord shall not terminate this Lease or the Tenant's right of possession for any default of the Tenant if within a period of 30 days after the expiration of the period of time within which the Tenant might cure said default, said default is cured or caused to be cured by such secured party, or if within a period of thirty (30) days after the expiration of the period of time within which the Tenant might commence to eliminate the cause of such default such secured party commences to eliminate the cause of such default and proceeds therewith diligently and with reasonable dispatch;

(d) That no right, privilege or option to cancel or terminate this Lease available to the Tenant shall be deemed to have been exercised effectively unless consented to in writing by such secured party and the Tenant agrees that the secured party shall have such right;

(e) No liability for the payment of Rent or performance of other obligations of the Tenant hereunder shall attach to or be imposed upon any such secured party, unless the secured party enters into possession of the Leased Premises;

(f) That if Section 12.1 is applicable, the said secured party shall be entitled, if the default is not remedied by the Tenant as provided for herein, on written notice to the Landlord given within fifteen (15) days following termination of this Lease by the Landlord to assume all obligations and rights of the Tenant under this Lease pursuant to an agreement with the Landlord in a form satisfactory to both parties acting reasonably; and

(g) The Landlord will if required by such secured party, execute and deliver an agreement in favour of such secured party to the foregoing general effect and in a form acceptable to the Landlord acting reasonably.

PART XVII
SIGNS

17.1 Tenant's Signs

(a) Bulkhead Signs

Subject to Section 7 of Schedule "E", the Tenant shall arrange and pay for the installation of its standard fascia signage on the exterior of the Tenant's Facility. The Tenant shall submit designs for all such signage to the Landlord for its written approval, such approval not to be unreasonably withheld or delayed. If the Landlord does not respond to the Tenant and their request for Landlord's written approval within fifteen (15) days after receiving such request from the Tenant, the Landlord will be deemed to have granted their consent.

(b) Pylon Signs

Subject to Section 7 of the attached Schedule "E", the Tenant shall have the right at its own expense to erect on the Lands a pylon sign for its exclusive use or utilize the existing pylon sign for its exclusive use, subject to applicable governmental approvals. The design criteria set forth above relating to the Tenant's signage on the Leased Premises shall apply to its signage on any pylon sign existing or erected on the Shopping Centre.

(c) Generally

There shall be no restrictions on interior signage, whether or not such interior signage is visible from outside the Leased Premises.

The Landlord agrees that the Tenant may remove and/or replace all signs installed by it, in its discretion, whether or not same are or are deemed at law to be fixtures, at any time and from time to time during the Term, provided the Tenant repairs any damage caused to the Leased Premises by such removal or replacement. The Landlord will co-operate with the Tenant and will execute and deliver promptly upon request any applications, consents or other documents, which may be required by the Tenant to obtain permits or approvals for the Tenant's signs.

PART XVIII
RESTRICTIONS

18.1 Restrictions on Use

The Tenant shall be entitled to make use of the Leased Premises in accordance with the Use prescribed in the Basic Provisions; provided that the Tenant shall be subject to those Use Restrictions prescribed in the Basic Provisions expressly applicable to the Tenant.

The Landlord covenants and agrees that the Landlord will not lease or permit any part of the Development to be used, nor will the Landlord consent to the sublease or use by any person or entity of any part of the Development, for the primary or principal purpose of an automotive after-market business including the sale of automotive parts and supplies. In addition the Landlord will observe, adhere to and comply with the Use Restrictions prescribed in the Basic Provisions expressly applicable to the Landlord.

It is the intention of the Landlord and Tenant that this restrictive covenant shall run with and burden the Lands and all extensions thereof and additions thereto for the benefit of the Leased Premises and any extension thereof or addition thereto throughout the Term of this Lease and all extensions and renewals thereof.

18.2 Building Restrictions and No Build Areas

The Landlord shall not without the prior consent of the Tenant, which consent shall not be unreasonably withheld, construct any barrier, building or other structure within the No Build Zone save for curbing, lighting, landscaping, and any improvements required by any governmental authority having jurisdiction. The No Build Zone is to remain unobstructed for parking throughout the Term.

18.3 Reconfiguration of Development

The Landlord acknowledges that the present (or proposed) configuration of the Development including the location and orientation of the Leased Premises and adjacent parking areas as shown on the Site Plan is a material factor in the decision of the Tenant to enter into this Lease. The Landlord therefore covenants and agrees that notwithstanding anything contained in this Lease at no time during the Term shall the Landlord perform or allow to be performed any additional development on the Lands (including the construction thereon of any buildings or improvements) or make any changes, alterations or additions to the Development or the Common Areas and Facilities that will materially alter the Leased Premises or result in any obstruction of the vista of the Leased Premises to customers of the Tenant or reduce the visibility of the Leased Premises from the parking areas of the Development and adjacent streets and highways or hinder access and traffic flows to and from the Leased Premises or otherwise result in the Leased Premises being rendered less desirable to the Tenant than at the commencement of this Lease. Without limiting the generality of the foregoing, the Landlord shall not during the Term perform or allow to be performed any development (including the construction thereon of any buildings or improvements) on or make any changes, alterations or additions to any portion of the No-Build Zone including, without limitation, the configuration of the Common Areas and Facilities, methods of ingress and egress, direction of traffic, lighting, curbing, building heights, landscaping and parking.

PART XIX
COMMON AREAS AND PARKING

19.1 Parking and Common Areas

The Landlord covenants and agrees with the Tenant that throughout the Term:

(a) The Landlord hereby grants to the Tenant, to be effective and subsisting throughout the subsistence of the Term of this Lease, the exclusive right to use and enjoy the Exclusive Use Area appurtenant to the Leased Premises for parking for the Tenant's invitees, and for general access to the Leased Premises, and such area shall be under the exclusive control and management of the Tenant and Tenant may identify said area with appropriate signs so as to indicate use thereof. The Landlord will be responsible for maintaining the Exclusive Use Area, and the costs relating thereto shall be included in Common Area Costs.

(b) The customers, prospective customers and invitees of the Tenant and its subtenants, licensees and other occupants of the Leased Premises and all other persons having business with the Tenant, its subtenants, licensees and other occupants of the Leased Premises, together and in common with the customers, prospective customers, invitees and licensees of all other persons having business with the tenants of other premises at the Development, shall have the right and licence to use the parking area of the Development free of charge for the parking of motor vehicles thereon and the right and licence of passage, on foot, on and over all malls, aisles and sidewalks of the Development, the same to be available and/or open for pedestrian use at all times that the Leased Premises are open for business, and that the Landlord will not erect or construct, or permit or suffer to be erected or constructed, any building, billboard or other structure whatsoever on the parking area, malls, aisles or sidewalks, or hinder or obstruct the use thereof for the purposes aforesaid, or use, or permit or suffer anyone to use the parking area, malls, aisles or sidewalks for any other purposes; provided, however, that the Landlord may on a temporary basis use the interior malls for those promotions which are for the benefit of all tenants of the Development so long as such promotions are in keeping with good shopping centre practice, do not materially impede pedestrian access within the mall or visibility of the Leased Premises and do not take place within 75 feet of any mall entrance to the Leased Premises;

(c) The Landlord shall comply with the minimum parking requirements set out in the Landlord's Site Plan Agreement with the Municipality with respect to the Development, as same may be amended from time to time, provided that in any event the Landlord will maintain:

(i) not less than five (5) parking spots at the Development for every one thousand square feet of GLA of commercial use premises excluding restaurants; and,

(ii) not less than ten (10) parking spots at the Development for every one thousand square feet of GLA of restaurant use premises;

(d) An adequate area (a loading lane) to the rear of, adjacent to and adjoining the delivery or service entrance to the Leased Premises shall afford space for trucks loading or unloading goods, wares, or merchandise thereat or waiting to do so, and the Tenant, its suppliers and invitees, shall have the exclusive right and licence of use of the said standing, loading and unloading area, for the delivery of goods wares or merchandise to or from the Leased Premises or for the removal of refuse therefrom; and,

(e) An adequate and sufficient area at the Development shall be designated by the Landlord, subject to the Tenant's prior written approval as to the area (such approval not be unreasonably withheld), for the parking of the motor vehicles of the Tenant's employees and the employees of other tenants and users of the Development, and the Landlord will use all reasonable means to ensure that such employees refrain from parking in any other area than that provided for their use as aforesaid.

19.2 Maintenance of Common Areas

The Landlord covenants and agrees that it shall, throughout the Term:

(a) Maintain the pylon signs and interior malls, and for such purposes make all repairs and replacements needed to the heating and air-conditioning systems to the extent that they serve the interior malls of the Development;

(b) Light the pylon signs and interior malls, and for such purposes make all repairs needed to the lighting system accessory thereto; and

(c) Heat and air condition the interior malls during such seasons as it is customary to do so.

The Tenant covenants and agrees that it shall, throughout the Term:

(a) Maintain the parking area of the Development and drainage systems related thereto, the sidewalks, aisles, standing, loading and unloading areas and driveways and the systems for the delivery of services and facilities to the Leased Premises and all other common areas and facilities in a state of good repair, clean and sanitary, properly drained and free of ice, snow, debris and dirt; and

(b) Light the parking areas, the sidewalks, aisles, standing, loading and unloading areas and driveways from sundown until one hour after the Leased Premises are closed each evening, and for such purposes make all repairs needed to the lighting system accessory thereto.

The Tenant shall enjoy an easement and right of way over all of the parking lot and that the Landlord shall not in any manner adversely effect accessibility (pedestrian and vehicular), visibility, traffic flow to and around the Leased Premises and the Tenant's signage.

19.3 No Barriers

Except as otherwise expressly provided in this Lease, no improvements, erections, structures, fences, curbing or other barriers shall be constructed or permitted to exist on the parking area or the malls, aisles and sidewalks of the Development and the Landlord shall not grant leases, licences or similar rights to occupy or use any part of the said parking area, malls, aisles and sidewalks. In the event that access to the Leased Premises from any of 175th Street NW, and/or Stony Plain Road NW is interrupted or closed or blocked in any way at any time, Rent shall abate until full access is restored.

19.4 Temporary Interruptions

Notwithstanding any other provision of this Lease, the Landlord shall have the right at all times hereafter and from time to time to interrupt temporarily the use and enjoyment of the Common Areas for the purpose of repairing, replacing, installing, maintaining, removing, altering, inspecting the Common Areas and any utilities installed or lying thereon or thereunder, provided that:

(a) The Landlord gives to the Tenant reasonable prior written notice of such interruption, except in the event of an emergency when no prior notice shall be required; and

(b) The Landlord shall use all reasonable efforts to Schedule such interruption so as to cause as little interference as reasonably possible with the ordinary utilization of the Common Areas and with access to the public roads and highways.

PART XX
DEFAULT BY LANDLORD

20.1 Tenant may Perform Landlord's Repairs

The Tenant, acting reasonably, after fifteen (15) days notice to the Landlord, save for emergency situations in which case only such notice as is reasonable in the circumstances need be given, may elect to carry out any repairs or maintenance which are the obligations of the Landlord and which the Landlord has failed to carry out or is not diligently proceeding to carry out, provided the failure to carry out such repairs or maintenance (i) is not due to Unavoidable Delay and (ii) prevents the normal operation of the Tenant's business within the Leased Premises or any part thereof. In the event of any dispute between the parties as to whether or not the repairs or maintenance are so needed, the parties shall refer the matter to arbitration as provided in the Lease. The cost of all such repairs or maintenance items shall be paid by the Landlord within fifteen (15) days of receipt of written demand from the Tenant together with evidence of the costs incurred by the Tenant, failing which the Tenant shall have the right to set-off such costs against the rent payable pursuant to the Lease.

PART XXI
ARBITRATION

21.1 Arbitration

(a) Where a party is permitted pursuant to the provisions of this Lease to refer a matter to arbitration for determination, after a party gives notice that it is referring such matter to arbitration, the provisions of Section 21.1(c) shall apply.

(b) Subject to Section 21.1(d), in the event of a dispute between the parties as to the interpretation of any provision of this Lease or the application of any provision hereof to any particular circumstances, either party shall be entitled to give to the other party notice (the "First Notice") that it wishes to refer such dispute to arbitration. Within fifteen (15) days of receipt of the First Notice, the other party shall give notice in writing either that it agrees or does not agree to refer the dispute to arbitration. If that party fails to give said notice within the said fifteen (15) days, it shall be deemed to have agreed to refer the dispute to arbitration. If, following the giving of the First Notice by one party, the other party agrees or is deemed to have agreed to refer a dispute to arbitration, in accordance with the foregoing, the provisions of Section 21.1(c) shall apply, and the parties covenant that any disputes referred to arbitration shall be so decided by arbitration alone and not by recourse to any Court or by any other action.

(c) If a matter or dispute is to be referred to arbitration pursuant to the foregoing provisions of this Section 21.1, each party shall at once appoint an arbitrator and such appointees shall jointly appoint a third. The decision of any two of the three arbitrators so appointed shall be final and binding upon the parties hereto. If within a reasonable time the two arbitrators appointed by the parties hereto do not agree upon a third, or if a party fails to appoint an arbitrator in accordance with the foregoing, then a third arbitrator or an arbitrator to represent the party in default may, upon petition of the party not in default, be appointed by a Judge in the Province in which the Development is located having

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jurisdiction of the matter. The costs of arbitration shall be apportioned between the parties hereto as the arbitrators may decide. Neither party shall be deemed to be in default in respect of the dispute which is the subject of the arbitration so long as the arbitration is proceeding.

(d) Neither party may refer a dispute in respect of the following provisions of this Lease to arbitration:

Section 5.1	Assignment and Sub-letting, Licences
Section 12.7	No Distress
Section 16.1	Mortgaging of Leasehold Estate
Section 18.1	Restrictions on Use
Section 18.2	Building Restrictions and No Build Areas

PART XXII
MISCELLANEOUS

22.1 Hours of Business

The Tenant shall have the right to establish their own hours and operate the Tenant's business in the Leased Premises during the maximum number of hours permitted by by-law. The operation of the Leased Premises shall be governed under and by the general operation policy of the Tenant and the Tenant may maintain business in hours in excess or outside of those prescribed under the Development, notwithstanding and in superiority to any of the Landlord's operating Rules and Regulations.

22.2 Merchant's Association/Promotion Fund

The Tenant shall not be required to either join or participate in or contribute to any promotion fund or merchant's association, marketing fund, decorating fund or any similar fund for the Shopping Centre although it may elect to do so from time to time.

22.3 Holding Over

In the event the Tenant shall hold over in possession of the Leased Premises after the expiry of the Term, such holding over shall not be deemed to extend the Term or renew the Lease but the tenancy thereafter shall continue as a monthly tenancy upon the covenants and conditions herein set forth and at the rent in effect during the last month of the Term, until termination by either party by notice designating the date of termination, provided that said notice shall be given not less than one hundred and twenty (120) days before said date of termination.

22.4 No Liens

(a) The Tenant covenants that it will not permit or cause anything to be done on the Leased Premises or with respect to the Leased Premises which may result in any liens, construction liens, lis pendens or judgments being imposed upon either the Leased Premises or the Development. If any lien or encumbrance is registered against the

Leased Premises or Development by reason of things done or permitted to be done by the Tenant, then the Tenant shall forthwith at its own expense cause the same to be removed by payment to the lien claimant or posting security in an appropriate court or any other like proceeding.

(b) The Landlord covenants that it will not permit or cause anything to be done on the Leased Premises which may result in any liens, construction liens, lis pendens or judgments being imposed upon either the Leased Premises or the Development. If any lien or encumbrance is registered against the Leased Premises or Development which may result in a sale thereof or which causes harm to the Tenant then the Landlord shall forthwith at its own expense cause the same to be removed by payment to the lien claimant or posting security in an appropriate court or any other like proceeding.

22.5 Net Lease

Except as specifically provided in this Lease, it is the intent of the Landlord and Tenant that the Rent shall be net and carefree to the Landlord, provided however that nothing in this Lease shall require the Tenant to pay any amounts on account of mortgage or interest, Landlord's income tax, franchise, estate, inheritance, succession, capital levy or transfer tax, capital tax, large corporations tax of the Landlord (or any similar form of tax on the Landlord's equity investment in the Shopping Centre), commercial concentration taxes, land rent or costs incurred by the Landlord to develop or redevelop the Shopping Centre (including but not limited to municipal levies), or any income, excess profits or revenue tax upon the rent payable by the Tenant under this Lease or any debt service obligations of the Landlord. The Tenant shall not be required to pay by way of Common Area Costs or otherwise, depreciation/amortization on fixed assets or equipment, charges of the Landlord's executives, officers, owners or shareholders or members of their families, any usage or imputed rental charges on the administrative offices of the Landlord and services areas, any cost associated with damage to property or injury to persons arising as a result of the negligent or willful acts or omissions of the Landlord or those for whom the Landlord is in law responsible, any charges relating to Structural Repairs, or any accounting, legal or other professional and consulting services or expenses.

22.6 No Relocation

The Landlord shall not have the right to relocate the Leased Premises at any time during the Term or any renewal thereof.

22.7 Time of the Essence

Time shall be of the essence of this Lease.

22.8 Severability

If any covenant, obligation or agreement in this Lease or the application thereof to any person or circumstances shall to any extent be invalid or unenforceable, the remainder of this Lease or the application of such covenant, obligation or agreement to persons or circumstances other than those to which it is invalid or unenforceable shall not be affected thereby and each covenant, obligation and agreement in this Lease shall be separately valid and enforceable to the fullest extent permitted.

22.9 Notices

Any notice, demand, request, consent or objection required or contemplated to be given or made by any provision of this Lease shall be given or made in writing and shall either be transmitted by telefax or similar verifiable electronic means, or personally delivered, sent by courier, or by registered mail, postage prepaid, addressed to the Landlord at the Landlord's Address and to the Tenant at the Tenant's Address as shown in the Basic Provisions. Any notice personally delivered shall be deemed to have been given on the day of delivery and any notice sent by courier shall be deemed to have been given on the next Business Day following the date of transmission or pickup, as the case may be, and any notice sent by registered mail shall be deemed to have been given on the fifth Business Day following the date of receipt of registration of said notice.

22.10 **Binding Effect and Interpretation**

This Lease shall enure to the benefit of and be binding upon the parties hereto, the successors and assigns of the Landlord, and the successors and permitted assigns of the Tenant.

22.11 **Entire Agreement and Non-Merger**

Save for the Offer to Lease, no prior stipulation, agreement or undertaking, verbal or otherwise of the parties or their agents shall be valid or enforceable unless embodied in the provisions of this Lease or made in writing and signed by both parties. The Landlord and Tenant agree that any provision in the Offer to Lease not included in this Lease shall in any event survive the execution of this Lease and shall not merge on the execution hereof. If there is an inconsistency between the provisions of this Lease and the Offer to Lease, the provisions of this Lease shall prevail.

22.12 **Unavoidable Delay**

If either party shall be prevented or delayed from punctually performing any obligation or satisfying any condition under this Lease by any strike, labour dispute, inability to obtain labour or material, Act of God, governmental restriction, regulation or control, insurrection, sabotage, fire or other casualty or by any other event beyond the control of such party (herein called "Unavoidable Delay") then the time to perform such obligation or satisfy such condition shall be postponed by the period of time consumed by the delay. If either party shall, as a result of any such event, be unable to exercise any right or option within any time limit provided therefor in this offer, the time for exercise thereof shall be postponed for the period of time consumed by such delay. Financial inability, inconvenience or embarrassment shall not be considered an event causing Unavoidable Delay.

22.13 **Governing Law**

This Lease shall be interpreted under and is governed by the laws of the Province of Alberta.

22.14 **No Partnership**

Nothing contained in this Lease nor any acts of the parties hereto shall be deemed to create any relationship between the parties other than the relationship of landlord and tenant.

22.15 Acting Reasonably

Except where expressly stated otherwise, whenever this Lease provides for any conduct, action, consent or approval on the part of either of the Landlord or the Tenant, such party will act, both, reasonably and expeditiously as the context may require.

22.16 Planning Legislation

This Lease is expressly conditional upon compliance with all applicable subdivision control provisions under the laws of the Province of Alberta relating to severance and subdivision of land of the jurisdiction in which the Lands are located. The Landlord will, at its sole cost and expense, do all acts and things, which may be required to effect such compliance prior to the Commencement Date. Failing compliance with such subdivision control provisions, this Lease shall be deemed to be for a term, including renewals, of twenty-one years less one day or such greater term, if any, that may be substantiated at law.

PART XXIII
EXECUTION

23.1 Execution

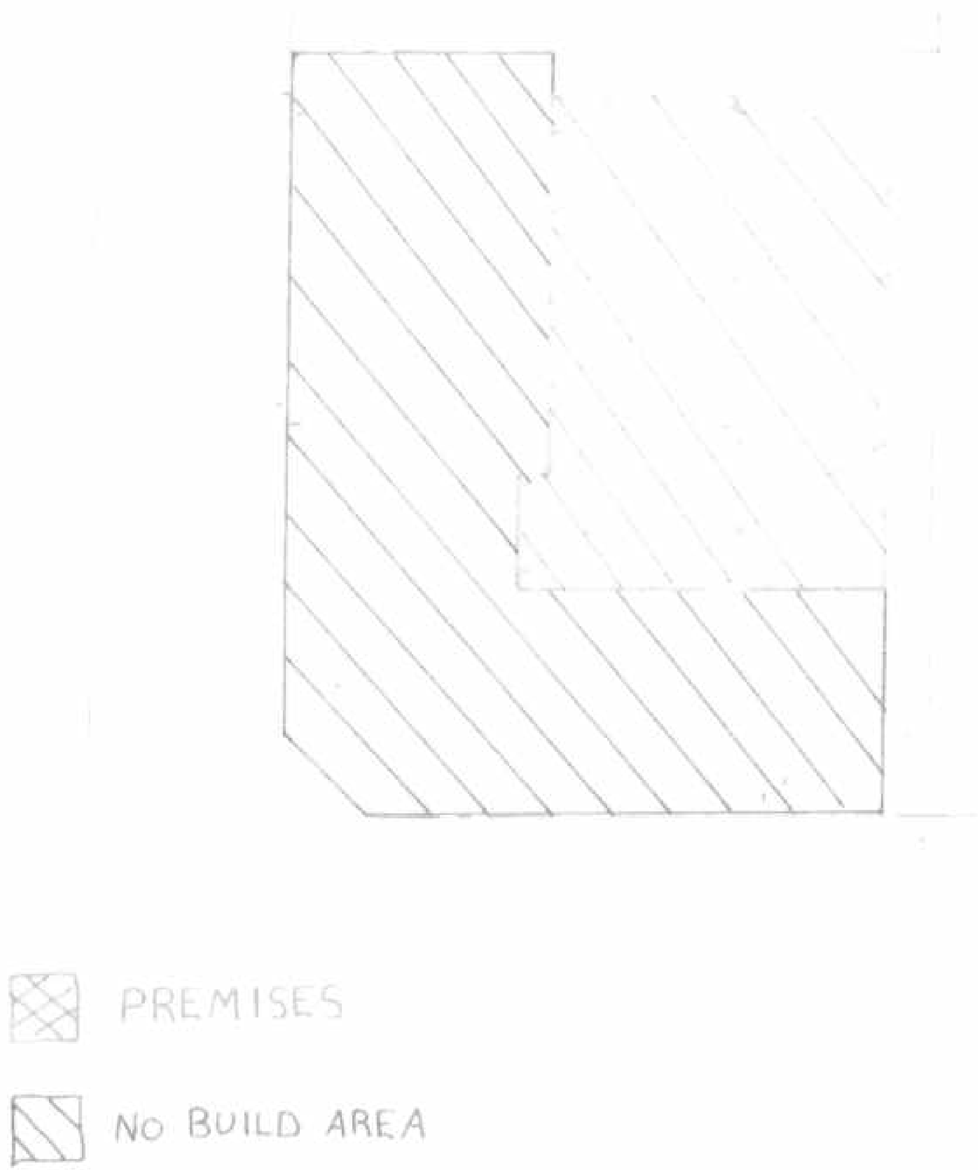
IN WITNESS WHEREOF the parties hereto have executed this agreement as of the day and year first above written.

CANADIAN TIRE REAL ESTATE LIMITED	1194038 ALBERTA LIMITED
Per: ______________________	Per: ______________________
Name & Title:	Name & Title:
Per: ______________________	Per: ______________________
Name & Title:	Name & Title:
We Have Authority To Bind The Corporation	We Have Authority To Bind The Corporation

SCHEDULE "A"
Legal Description

Plan 7722579
Plan 2
Lot 7

SCHEDULE "B"
Site Plan



SCHEDULE "C"
Trade Fixtures, etc.

The Tenant's Trade Fixtures are inclusive of, but not limited to, those items listed below, and are defined as items necessary to the operation of the Tenant's retail business and not to the integrity of the overall base building and leasehold:

- interior and exterior signage (including sign pylons)
- shelving and racking
- counters
- specialty product displays
- specialty display lighting
- decor signage
- electronic devices for security, sales, service and communication purposes
- merchandise for sale
- any items branded with Tenant or other trademarks relating to the Tenant's building
- office furniture and supplies
- lifting, conveying or elevating devices
- battery chargers
- brake lathes
- equipment used for repairing or servicing automotive parts
- janitorial and kitchen equipment and items
- communications equipment

SCHEDULE "D"
Landlord's Work and Tenant's Work

1. **General**

- All work indicated is to be completed by the Landlord at the Landlord's cost in a good and workmanlike manner and in accordance with all laws, regulations, codes and other jurisdictional requirements governing the site, as well as per the Tenant's Design Standards.
- All Landlord work to be guaranteed for one year with any continuing guarantees assigned to the Tenant.
- Tenant Design Standards referred to in this document are to be inclusive of all Tenant design guidelines, prototype drawings and prototype specifications. Where these documents conflict, the precedence of drawings over specifications, and drawings over design guidelines shall govern.
- The Landlord and his forces shall co-operate and co-ordinate with the Tenant and his forces in a courteous and professional manner.

2. **Site Information**

- The Landlord shall provide a topographic survey indicating existing site conditions, including all existing grading, overhead and underground services, paved features, landscaping and vegetation, adjacent structures and other information relevant to the development of the property **if in possession of the Landlord.**

3. **Design**

- The Landlord will pay for the preparation of all drawings, specifications and other documents required for approvals, tendering and construction of the Landlord's base building work.
- The building design shall be based on and conform to the Tenant Design Standards and the Tenant's location specific design drawings.

4. **Schedule**

- The Landlord shall have the building weathertight, secure and ready for Leasehold Improvements by the Tenant no later than the possession date.
- Substantial Completion/Performance (as defined in the applicable liens act of the location of the work) of the Landlord's work shall be no later than the possession date.
- The Landlord shall co-operate with Tenant's suppliers, contractors and staff at all times during construction.

5. **Project Completion**

- The Landlord shall remedy and make good to the Tenant's satisfaction all deficiencies, as identified by the Tenant at the time of Substantial Performance, except seasonal deficiencies, no later than 30 days after Substantial Completion has been achieved.
- Seasonal Deficiencies shall be completed no later than May 30th of the following year.

6. Landlord's Work

The Landlord shall carry out the following work in the Leased Premises in a good and workmanlike manner:

(a) SITE

Siteworks	As is.
Site Lighting	Site Lighting shall be provided in good operating condition and the Landlord hall be responsible for any cost and expense relating to the proper operation of the site lightings for the first year of the Lease Term.
Pylon Sign Base	As existing, to be in good working order, and functioning power to the base of the pylon sign.
Garbage Enclosure	As is.

(b) BUILDING

The Landlord shall remove the existing improvements and fixtures within the Rock Shop Premises and shall be responsible to repair any damage caused from such removal.

Misc. Exterior Painting	As is.
Exterior Doors, Windows & Frames	As is.
Finishes	As is.

(c) MECHANICAL HVAC

Rooftop gas-fired air conditioning units, complete with gas piping and electrical supply as existing in good working condition. The Landlord shall be responsible for any cost and expense relating to the proper operation of the HVAC system for the first year of the Lease Term.

Plumbing	Plumbing shall be provided in good operating condition and the Landlord shall be responsible for any cost and expense relating to the proper operation of the plumbing system for the first year of the lease Term.

(d) ELECTRICAL

The electrical system shall be provided in good operating condition and the Landlord shall be responsible for any cost and expense relating to the proper operation of the electrical system for the first year of the Lease Term.

(e) LIFE SAFETY & FIRE PROTECTION

As existing and in good working condition.

7. **Tenants Work**

(a) PERMITS

The Tenant shall, in a timely fashion, apply for and pay for its own tenant improvements and occupancy permit(s) and any other permits or licenses required for the Tenant's Work and its occupancy of the Leased Premises. The Tenant will not commence its work prior to furnishing the Landlord with copies of all necessary permits and other approvals.

(b) SUBMISSIONS

The Tenant will submit to the Landlord for its approval: (i) two white sets of each of its plans and drawings for its signage together with specification for the finishing of the Leased Premises; and (ii) include floor plans reflected ceiling fans, wall elevations, storefront elevation, sections details including any special facilities or installation which affect the Landlord's facilities; and (iii) complete mechanical and electrical drawings detailing any underfloor requirements, equipment connections and installations, water and sewage, HVAC distribution system, sprinkler mains and runs, electrical diagrams and panel schedules.

(c) FASCIA SIGNS

All Tenant signs will be in accordance with the Tenant's standard design drawings. Fascia sign artwork will be supplied and installed by the Tenant. Sign, shop drawings, indicating clearly size, finished, colours and graphics to be submitted by written approval by Landlord prior to installation by Tenant.

(d) FIXTURES & EQUIPMENT

The Tenant will use only new fixtures and equipment in the Leased Premises.

(e) UTILITIES

The Tenant will pay for all charges for utilities consumed in the Leased Premises commencing from the date the Tenant or its agents or contractors occupy the Leased Premises to commence its work.

(f) EXTERIOR ALTERATIONS

Any future alterations to the exterior walls or roof of the Leased Premises which the Tenant may request after commencement of term shall be performed at the sole option of the Landlord by either the Tenant's or the Landlord's forces at the Tenant's expense.

(g) EXAMINATION OF LEASED PREMISES

The Tenant will examine the Leased Premises before taking possession and unless the Tenant furnishes the Landlord with written notice specifying any defects within twenty (20) days after taking possession, the Tenant will be deemed to have examined the Leased Premises and to have agreed that they are in good order.

(h) GENERAL

Any Tenant's Work completed by the Landlord or Landlord's Work completed at the Tenant's expense shall be detailed in writing to the Tenant and pre-approved by the Tenant, in writing, prior to the commencement of such work.

SCHEDULE "E"
Special Provisions

1. **Real Property Taxes**

During the first lease year the Tenant shall not be obligated to pay more than \$1.74 per square foot of Leased Premises on account of Real Property Taxes. The Tenant shall pay Real Property Taxes directly to the municipal authority assessing same (and the Landlord shall provide both Notices of Assessment and the Real Property Tax Bill to the Tenant immediately on receipt to enable the Tenant to pay such Real Property Taxes on a timely basis).

2. **Operating Costs, Taxes and Utilities**

The Tenant will pay all costs for utilities directly to the suppliers of such utilities as and when incurred and due.

3. **Additional Rent**

In the event that the Landlord fails to deliver its statement detailing the extent and source of any Additional Rent (including true copies of any invoices) payable to the Landlord as required under the Lease, the Tenant shall be entitled to withhold paying request for Additional Rent until such statement is delivered.

4. **Tenant's Responsibilities**

The Tenant will be responsible for coordinating and paying for snow removal, lot garbage collection and removal, maintenance of all mechanical systems including the Heating, Ventilation and Air Conditioning equipment, maintenance of the electrical system and lighting, maintenance of all plumbing within the Leased Premises, landscaping, weed control, pest control and paving maintenance and repair (excluding repaving).

5. **Non-Disturbance Agreement**

Subject to clause 9 of this Schedule "E", the Tenant shall have the right to register a caveat and the Tenant's form of non-disturbance agreement against the Shopping Centre attached hereto as Schedule "**F**". The Landlord shall provide such non-disturbance agreement fully executed by the Landlord's mortgagor in registrable form prior to the Rent Commencement Date. In the event the non-disturbance agreement is not provided by such date, then Rent shall accrue but not be payable until such time as the non-disturbance agreement has been delivered in registrable form.

6. **Exclusivity**

(a) The Landlord covenants and agrees that the Landlord will not lease or permit any part of the Shopping Centre to be used, nor will the Landlord consent to the sublease or use by any person or entity of any part of the Shopping Centre, for the primary or principal purpose of an automotive after-market business including the sale of automotive parts and supplies.

(b) The Landlord covenants and agrees that the Landlord will not lease or permit any part of the Shopping Centre to be used, nor will the Landlord consent to the sublease or use by any person or entity of any part of the Shopping Centre, for the primary or principal purpose of an automotive after-market business including the sale of automotive parts and supplies.

(c) The Landlord covenants and agrees that the Landlord will not lease or permit any part of the Shopping Centre to be used, nor will the Landlord consent to the sublease or use by any person or entity of any part of the Shopping Centre for the use of:

- a theatre or cinema;
- a bingo hall or flea market;
- a store conducting in whole or in part the sale of second hand goods, insurance salvage stock, fire sale stock, or bankruptcy stock;
- an auction, bulk sale, liquidation sale, "going out of business" or bankruptcy sale;
- an adult entertainment centre or adult book store;
- the sale of sporting goods;
- the sale of hardware products;
- the sale of plumbing supplies;
- the sale of electrical supplies;
- the sale of paint and wallpaper or building supplies; and
- a store or stores carrying on the business of a full service and sale of men's, woman's and unisex work/casual wear and related accessories, workplace uniforms and related accessories, work boots, outdoor clothing and related accessories including boots, shoes and jeans and clothing products as are sold in the majority of Mark's Work Wearhouse stores.

It is the intention of the Landlord and Tenant that this restrictive covenant shall run with and burden the Shopping Centre lands and all extensions thereof and additions thereto for the benefit of the Leased Premises and any extension thereof or addition thereto.

7. **Signs**

(a) The Tenant shall be permitted to install on the Leased Premises its prototypical signage in use from time to time for the Tenant's business, which may include the Tenant's trade name and logo together with other messages related to the Tenant's business such as hours of operation and key business activities, all in its standard type face and all in the Tenant's corporate colours or such other colours as it may adopt from time to time. Such signage may be erected on the front, side and rear exterior walls, fascia and soffit of the Leased Premises, the Landlord acknowledging that the Tenant requires maximum sign identification as permitted by law. The Tenant may use "box type" signs, "cut out letters", canopies or awnings at the discretion of the Tenant. The Tenant's signage may at the Tenant's option be constructed in one continuous sign band without interruptions.

(b) The Tenant shall have the right at the Tenant's expense to erect on the Lands a pylon sign for the Tenant's exclusive use or utilize the existing pylon sign for its exclusive use, subject to applicable government approvals. The design criteria set forth above relating to the Tenant's signage on the Leased Premises shall apply to its signage on any pylon sign existing or erected on the Shopping Centre.

(c) The Tenant, at its option, may supply and install all signs to be erected by it pursuant to this paragraph. In no event shall the Tenant be required to rent or lease any sign or sign band or sign box from the Landlord or its appointee.

(d) The Lease shall not contain any restrictions on interior signage, whether or not such interior signage is visible from outside the Leased Premises.

(e) In that the Tenant's signage requirements are crucial to the tenancy, the loss of which shall give the Tenant the unilateral right to terminate this Lease.

8. **Repair and Maintenance**

Subject to clause 9 of this Schedule "E", the Landlord shall be responsible at its sole cost and expense for keeping and maintaining in a state of good repair all buildings and improvements forming part of the Shopping Centre, including without limitation the interior and exterior common areas (excluding those items the Tenant is directly responsible for as outlined in Sections 8.1 and 19.2 of this Lease and all utilities and services necessary for the operation of the Shopping Centre, consistent with the standards of a careful and prudent owner. The Landlord shall make all Structural Repairs to the Leased Premises and the Shopping Centre at its sole cost and expense.

9. **HVAC Repair and Maintenance**

Notwithstanding anything to the contrary contained in this Lease to the contrary, the Landlord and the Tenant acknowledge and agree that the Tenant shall be responsible for the installation or replacement, as the case may be, of any and all of the heating, ventilation and air conditioning systems and components in and serving the Leased Premises in and during the first year of the Term of this Lease, but the Landlord shall, after the first year of the Term of this Lease and at the Landlord's expense, assume all responsibility and cost for the maintenance, care, repair and replacement, as the case may be, of all of the heating, ventilation and air conditioning systems and components in and serving the Leased Premises.

SCHEDULE "F"
Non-Disturbance Agreement

THIS AGREEMENT made as of the _____ day of ____________, 2007.

B E T W E E N:

•

(hereinafter called the "Mortgagee")

OF THE FIRST PART;

- and -

CANADIAN TIRE REAL ESTATE LIMITED

(hereinafter called the "Tenant")

OF THE SECOND PART.

WITNESSES THAT:

WHEREAS the Mortgagee is the mortgagee of the parcel of land in the City of •, Province of • more particularly described in Schedule "A" annexed hereto (hereinafter called the "Land") pursuant to a Mortgage made by • in favour of the Mortgagee and registered against the title to the Land as Instrument Number • (such mortgage, as same may be or have been amended and/or supplemented from time to time hereinafter called the "Mortgage");

AND WHEREAS pursuant to an Offer to Lease (the "Lease") attached hereto as Schedule "B", • (the "Landlord") has leased premises to the Tenant;

AND WHEREAS the Tenant and Mortgagee desire to enter into this Agreement to define their obligations to one another in the event of default under the Mortgage.

NOW THEREFORE IN CONSIDERATION of the sum of Two Dollars ($2.00) now paid by each of the parties to the other (the receipt and sufficiency of which is hereby acknowledged by each party), the parties hereto covenant and agree as follows:

1. <u>Agreement to Attorn</u>

The Tenant agrees and acknowledges that if the Mortgagee becomes a mortgagee in possession, takes steps to enforce its security under the Mortgage which involve taking an assignment of the rents under the Lease or succeeds to the interest of the Landlord under the Lease, and so long as the Mortgagee performs the obligations of the Landlord under the Lease, the Tenant will attorn to the Mortgagee and perform in favour of the Mortgagee the terms and conditions of the Lease, provided however that the Tenant will be under no obligation to pay rent to the Mortgagee by virtue of this Agreement until the Tenant receives written notice from the Mortgagee that there has been default by the Landlord under the Mortgage and that it has succeeded to the interest of the Landlord under the Lease, has taken possession of the Land or is exercising an assignment of rents. For the purposes of this Agreement, any notice to the Tenant shall be delivered to the Tenant in accordance with the Notice provisions of the Lease. The Mortgagee acknowledges that the Tenant shall not be required to account for any rent paid prior to the

TB AP

Tenant being deemed to have received a notice from the Mortgagee in accordance with the Lease notice provisions.

2. Non-Disturbance

(a) So long as the Tenant is not in material default (beyond any period given to the Tenant to cure such default) in the payment of rent or in the performance of any of the material terms, covenants and conditions of the Lease on the Tenant's part to be performed, the Tenant's possession of the Land and the Tenant's rights and privileges under the Lease, or any extensions or renewals thereof which may be effected in accordance with any option granted in the Lease, shall not be diminished or interfered with by the Mortgagee or any one claiming through the Mortgagee, and the Tenant's occupancy of the Land shall not be disturbed by the Mortgagee during the term of the Lease or any such extensions or renewals thereof.

(b) So long as the Tenant is not in material default (beyond any period given to the Tenant to cure such default) in the payment of rent or in the performance of any of the material terms, covenants or conditions of the Lease on the Tenant's part to be performed, the Mortgagee will not join the Tenant as a party defendant for the purpose of terminating or otherwise affecting the Tenant's interest and estate under the Lease, in any action or foreclosure or other proceeding brought by the Mortgagee for the purpose of enforcing any of its rights in the event of any default under the Mortgage; provided however, the Mortgagee may join the Tenant as a party in any such action or proceeding if such joiner is necessary under any statute or law for the purpose of effecting the remedies available to the Mortgagee under the Mortgage but only for such purpose and not for the purpose of terminating the Lease, or affecting the Tenant's right to possession.

(c) If the interest of the Landlord in the Land shall be transferred to and owned by the Mortgagee by reason of foreclosure, sale under private power contained in the Mortgage, or other similar proceedings brought by it, or if the Mortgagee takes possession of the Land pursuant to the terms of its Mortgage or otherwise by law, the Tenant shall be bound to the Mortgagee and the Mortgagee shall be bound to the Tenant under all of the terms, covenants and conditions of the Lease for the balance of the term thereof remaining and any extensions or renewals thereof which may be effected in accordance with any option granted in the lease, with the same force and effect as if the Mortgagee were Landlord under the Lease, and the Tenant does hereby attorn to the Mortgagee as its Landlord, said attornment to be effective and self-operable without execution of any further instruments on the part of any of the parties hereto. The Mortgagee shall be bound to the Tenant under all the terms, covenants and conditions of the Lease and shall be liable for the performance of all of the Landlord's covenants thereunder, regardless of whether such covenant was to be performed prior to the Mortgagee exercising its remedies under the Mortgage or thereafter, and the Tenant shall have the same remedies against the Mortgagee for the breach of any covenant contained in the Lease that the Tenant might have had under the Lease against the Landlord if the Mortgagee had not succeeded to the interest of the Landlord.

3. Further Assurances

The Tenant and the Mortgagee agree to execute all such further instruments and assurances as may from time to time be reasonably required to evidence the acknowledgements and agreements contained in Sections 1 and 2 hereof.

4. Successors and Assigns

This Agreement shall be binding upon the Mortgagee and its successors (including successors in title) and assigns and shall enure to the benefit of the Tenant, its successors and permitted assigns as prescribed by the Lease.

IN WITNESS WHEREOF the parties hereto have executed this Agreement.

CANADIAN TIRE REAL ESTATE LIMITED

Per: ______________________________
Name:
Title:

Per: ______________________________
Name:
Title:

We have authority to bind the Corporation

MORTGAGEE:

Per: ______________________________
Name:
Title:

Per: ______________________________
Name:
Title:

We have authority to bind the Corporation

CANADIAN TIRE
REAL ESTATE LIMITED

This is Exhibit " C "
to the Affidavit of
Alan Dobish
Sworn before me this
1 day of March
A.D. 20 23
A Notary Public / A Commissioner for Oaths in and for the Province of Alberta
Amber M. Poburan
Barrister & Solicitor

October 15, 2021

Via e-mail: adobish@shaw.ca

1194038 Alberta Limited
1304 Welbourn Lane
Edmonton, Alberta T6M 2M2

Attention: **Mr. Al Dobish**

Dear Mr. Dobish

Re: Canadian Tire Real Estate Limited **(the "Tenant")**
1194038 Alberta Limited **(the "Landlord")**
Notice to Renew PartSource (#722)
Located at 10103 – 175th Street NW, Edmonton Alberta **(the "Leased Premises")**

Pursuant to Section 2.4 of the Lease dated June 1, 2008 as amended and extended from time to time **(the "Lease")** between the Landlord and the Tenant, we are hereby exercising the First Extension Term of the Lease for five (5) years and the Minimum Rent shall be at a rate of sixteen dollars ($16.00) per square foot per annum. The term shall commence on September 4, 2023 and expire on September 3, 2028, upon the same terms and conditions as set forth in the Lease.

All capitalized terms have the same meaning as set out in the Lease, unless defined herein.

Please contact Stephen Woodward, Real Estate Manager by email at Stephen.woodward@cantire.com should you require any additional information on this extension.

Yours truly,
Canadian Tire Real Estate Limited

DocuSigned by:
585FF8A1CFD74FF
David Bianchi
Vice President, Real Estate Development

Cc: Stephen Woodward, Real Estate Manager

CANADIAN TIRE
REAL ESTATE LIMITED

July 6, 2016

1194038 Alberta Ltd.
1304 Welbourn Lane
Edmonton, AB
T6N 2M2

Attention: Al Dobish

Dear Al:

RE: Extension of lease for Canadian Tire Real Estate Limited (PS722) at 10103 – 175 Street Edmonton, Alberta

I am prepared to recommend to our senior management that our lease be extended in accordance with the following: AD

1. Extension Term: Seven (7) years commencing Sept. 4, ~~2017~~ 2016 AD and expiring Sept. 3, ~~2024~~ 2023 AD
2. Minimum Rent: $16.25 per square foot per annum
3. Option to Renew: Two (2) options to renew to remain in the current lease at pre-set rates of $17.75 psf from Years ~~2024 – 2029~~ 2023 – 2028 AD and $19.00 psf for Years ~~2029~~ – ~~2034~~. AD 2028 - 2033 AD
4. Other Terms: All other terms and conditions shall be in accordance with the existing lease from time to time.

Should this proposal be acceptable, I will seek senior management approval on the basis of these business points. This letter shall not form a binding agreement. A formal lease amending agreement, when executed shall form a binding agreement.

Yours truly,
CANADIAN TIRE REAL ESTATE LIMITED

Glenn Wotton
Real Estate Manager, Western Canada
Real Estate Development

Acknowledged on this 12th day of July 2016

Name:
Title:
I have the authority to bind the corporation.

CANADIAN TIRE REAL ESTATE LIMITED
SUITE 200, 6715 - 8TH STREET NE, CALGARY, ALBERTA, CANADA T2E 7H7
TELEPHONE (403) 216-4650 FAX (403) 216-4667

Jumpstart

LEASE EXTENSION AND AMENDING AGREEMENT

THIS INDENTURE dated **July 12, 2016**.

BETWEEN:

1194038 Alberta Limited
(hereinafter called the "**Landlord**")

OF THE FIRST PART

- and -

CANADIAN TIRE REAL ESTATE LIMITED
(hereinafter called the "**Tenant**")

OF THE SECOND PART

A. **WHEREAS** by a lease dated **June 1, 2008** (the "**Lease**"), made between the Landlord and the Tenant, the Landlord did demise and lease unto the Tenant certain premises comprising a Gross Leasable Area of approximately **twenty-thousand, three hundred and ninety-seven (20,397)** square feet (the "**Leased Premises**"), located in the shopping centre municipally located at **10103 – 175 Street**, in the City of **Edmonton**, in the Province of **Alberta** (the "**Shopping Centre**"), for and during a term of **ten (10)** years (the "**Term**"), commencing on **September 4, 2008** and expiring on **September 3, 2018**, subject to the terms and conditions contained therein;

B. **AND WHEREAS** the Landlord and Tenant have agreed to: (i) extend the Term of the Lease for a further period of **five (5)** years, commencing on **September 4, 2018** and expiring on **September 3, 2023**; and (ii) amend certain terms of the Lease as more particularly set forth in this Agreement; all upon the terms and conditions hereinafter set forth.

NOW THEREFORE in consideration of the sum of one dollar ($1.00) of lawful money of Canada (the receipt of which is hereby acknowledged by the Landlord), the Landlord and Tenant agree to amend the Lease on the same terms and conditions as set forth in the Lease, save and except the following:

1. The above recitals are true in substance and in fact.

2. The Term of the Lease is hereby extended for a further period of **five (5)** years (the "**Extended Term**") from **September 4, 2018** (the "**Effective Date**") to **September 3, 2023**, upon the same terms, covenants and conditions as are contained in the Lease, save and except for the following:

   (i) Minimum Rent shall be paid throughout the Extended Term as follows:

Year(s)	Per Square Foot	Per Annum	Per Month
1-5	**$16.25**	**$331,451.25**	**$27,620.94**

   (ii) It is understood and agreed that there are two (2) remaining options to extend the Term beyond the Extended Term for five (5) years each in accordance with Section 2.4 of the Lease.

3. All capitalized terms used in this Agreement shall have the same meaning as set out in the Lease.

4. The parties confirm that in all other respects, the terms of the Lease will remain in full force and effect, unmodified, except to the extent set forth in this Agreement.

5. This Agreement shall enure to the benefit of, and be binding upon the parties and their respective heirs, representatives, executors, administrators, successors and assigns and shall be governed by the laws of the Province of Alberta.

6. This Agreement may be executed in any number of counterparts. A party may send a copy of its executed counterpart to each other party by facsimile or electronic transmission instead of delivering a signed original of that counterpart. Each executed counterpart (including each copy sent by facsimile or electronic transmission) shall be deemed to be an original. All executed counterparts taken together shall constitute one agreement.

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

1194038 ALBERTA LIMITED
(Landlord)

Per: ______________________________
Name:
Title:

Per: ______________________________
Name:
Title:

I/We have authority to bind the Corporation.

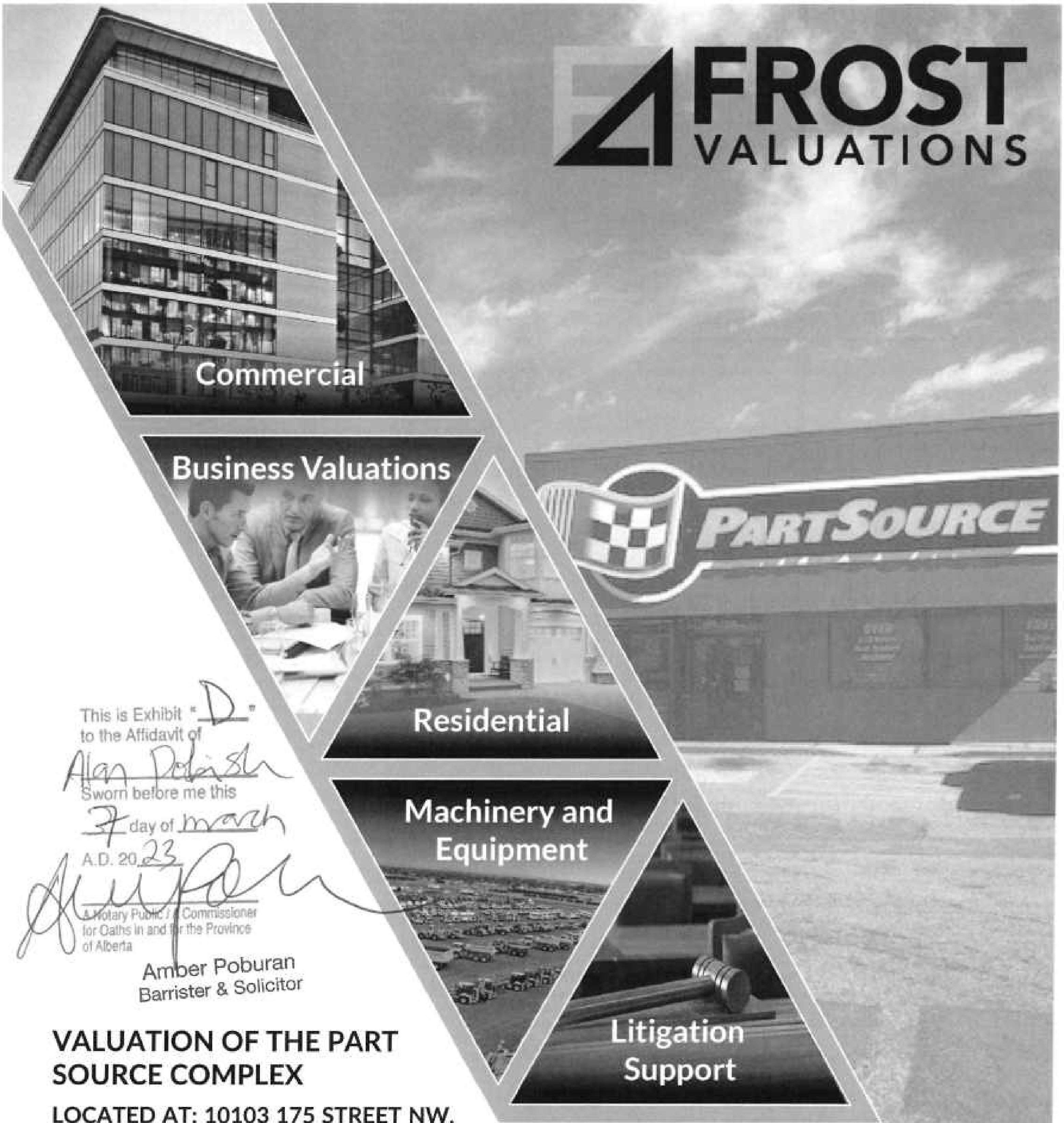
CANADIAN TIRE REAL ESTATE LIMITED
(Tenant)

Per: ______________________________
Name:
Title:

Per: ______________________________
Name:
Title:

I/We have authority to bind the Corporation

FROST VALUATIONS



This is Exhibit "D" to the Affidavit of Alan Dobish

Sworn before me this 7 day of March A.D. 20 23

A Notary Public / A Commissioner for Oaths in and for the Province of Alberta

Amber Poburan
Barrister & Solicitor

VALUATION OF THE PART SOURCE COMPLEX

LOCATED AT: 10103 175 STREET NW, EDMONTON, AB

PREPARED FOR
1194038 ALBERTA LTD.
1304 WELBOURN LANE
EDMONTON, AB T6M 2M2

EFFECTIVE DATE: JULY 13, 2022

FROST VALUATIONS INC.

#150, 17510 – 107 Avenue T 780.462.1782 E info@frostvaluations.com
Edmonton, AB T5S 1E9 www.frostvaluations.com

July 25, 2021

Our File No.: 10873-22/EH

1194038 ALBERTA LTD.
1304 WELBOURN LANE
EDMONTON, AB T6M 2M2

ATTENTION: AL DOBISH

DLC CAPITAL REGION
103, 14727 87 AVENUE
EDMONTON, AB T5R 4E5

HENRY GILL

Dear Sirs:

Re: Valuation Analysis of the Part Source IB Zoned Facility
Located at 10103 - 175 Street, Edmonton, Alberta

In accordance with your request, we have now completed an investigation and analysis into the above-captioned real estate and are pleased to submit this report summarizing our findings and conclusions.

This appraisal has been prepared in accordance with the Canadian Uniform Standards of Professional Appraisal Practice. The purpose of the appraisal is to estimate the current market value of the Leased Fee Interest in the herein described real property. It should be noted that our value estimate is based on ***Extraordinary Assumptions and Extraordinary Limiting Conditions***. The intended use/function of this report is to estimate the current market value for conventional mortgage finance purposes.

The subject industrial complex comprises a concrete block building with a building area of ±20,397 square feet. The subject improvements are situated on ±1.34 acres, IB - Industrial Business zoned site, which is situated within a Major Commercial Corridors Overlay.

Based upon the information summarized within this report and the ***Extraordinary Assumptions and Extraordinary Limiting Conditions*** contained herein, it is our considered and professional opinion that the current market value of the subject property, as at July 13, 2022, is estimated at:

FIVE MILLION THREE HUNDRED TWENTY THOUSAND ($5,320,000) DOLLARS

Readers are urged to review this appraisal report in its entirety which identifies the subject property, the Contingent and Limiting Conditions, ***Extraordinary Assumptions and Extraordinary Limiting Conditions***, pertinent definitions, facts about the area and subject property, the comparable data, results of the investigative analysis, and reasoning leading to the value conclusion. In the event that the readers do not fully understand and concur with the Contingent and Limiting Conditions or other parts of this appraisal, please contact the undersigned.

Respectfully submitted,
FROST VALUATIONS INC.

Erin Hrycyschyn

Erin Hrycyschyn B.Comm, Candidate Member
Note Signature Scanned into Report

Doug Slavik

Douglas Slavik, B.A., AACI, P.App
Note Signature Scanned into Report

FROST VALUATIONS INC.

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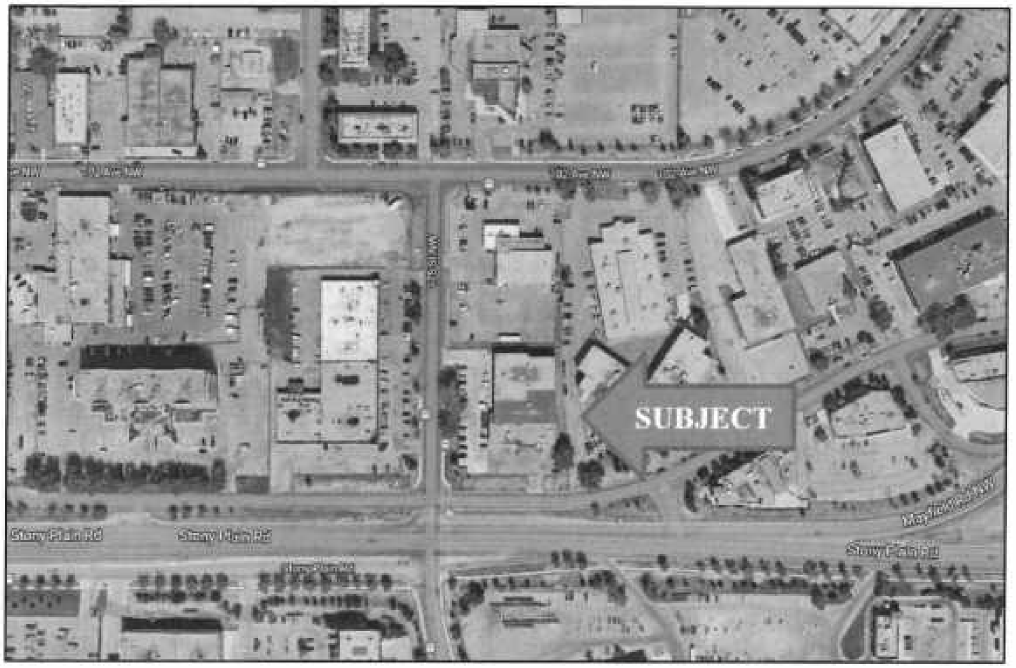
PHOTOGRAPHS OF SUBJECT PROPERTY



Google Aerial Photograph of the Subject Site

Google Aerial Photograph of the Subject Site

EXECUTIVE SUMMARY

PROPERTY IDENTIFICATION

Property Location:	10103 - 175 Street, Edmonton, Alberta.
Property Type:	±20,397 square feet, concrete block single storey complex
Year Built:	1979
Legal Description:	Lot 7, Block 2, Plan 7722579; Excepting thereout all mines and minerals.
Site Size:	±1.34 Acres
Site Coverage Ratio:	±35%
Land Use Classification:	IB – Industrial Business Zone with Major Commercial Corridors Overlay.
2022 Assessment:	$1,929,500
Value Conclusion:	$5,320,000. Please see ***Extraordinary Assumptions and Extraordinary Limiting Conditions.***
Effective Date of Value:	July 13, 2022
Inspection Date:	July 13, 2022
Date of Report:	July 20, 2022

SCOPE OF THE APPRAISAL ASSIGNMENT

EXTRAORDINARY ASSUMPTIONS

An ***Extraordinary Assumption*** is an assumption, which if not true, could alter the appraiser's opinions and conclusions. They are required when a hypothetical condition is necessary due to circumstances that are not self-evident regarding the appraised property. Hypothetical conditions include retrospective appraisals, significant renovations to the improvements, completion of proposed improvements, etc. As previously noted, this report is being completed where the following ***Extraordinary Assumptions*** have been invoked:

1. The value estimate contained herein assumes there are no environmental problems on the property or in such proximity thereto that it would cause a loss in value. No responsibility is assumed for any such conditions, nor for any expertise or engineering knowledge required to discover them.
2. A copy of the current lease was provided. The lease provided is assumed accurate and correct and has been relied upon herein.

EXTRORDINARY LIMITING CONDITIONS

An ***Extraordinary Limiting Condition*** refers to a necessary modification or exclusion of an Appraisal Institute Standard Rule. Such special circumstances include the inability to complete a property inspection, the purposeful exclusion of a relevant valuation technique, etc.

This report is being completed where ***Extraordinary Limiting Conditions*** have been invoked. These ***Extraordinary Limiting Conditions*** are outlined as follows:

Values contained in this report are based on market conditions as at the time of this report. This report does not provide a prediction of future market rates. In the event of market instability and/or disruption, lease rates and values may change rapidly and such potential future events have been NOT been considered in this report. As this report does not and cannot consider any changes to the assumed subject property or market conditions after the effective date, readers are cautioned in relying on the report after the effective date noted herein.

As of the date of this report Canada and the Global Community is experiencing unprecedented measures undertaken by various levels of government to curtail health related impacts of the Covid-19 Pandemic. The duration of this event is not known. While there is potential for negative impact with respect to micro and macro-economic sectors, as well as upon various real estate markets, it is not possible to predict such impact at present, or the impact of current and future government countermeasures. There is some risk that the Covid-19 Pandemic increases the likelihood of a global recession, however without knowledge of further anticipated government countermeasures at the national and global levels it is not possible to predict any impact at this point in time. Accordingly, this point-in-time valuation assumes the continuation of current market conditions, and that current longer-term market conditions remain unchanged. Given the market uncertainties of the Covid-19 pandemic, a force majeure event, we reserve the right to revise the market rent value estimation set out in this report for a fee, with an update report under a separate letter of engagement, incorporating market information available at that time.

The coronavirus pandemic is causing a significant degree of uncertainty in capital markets, and could have an effect on lease rates and real estate values depending on the duration and severity of the crisis. At present, it is too early to predict how values may be affected, but it may be likely that market demand is adversely affected in the short term.

Due Diligence

Due diligence for this appraisal encompassed the appropriate research and analysis necessary to prepare this report in accordance with the intended use and Canadian Uniform Standards requirements. Concerning the subject property, this involved the following steps:

1. Erin Hrycyschyn inspected and photographed the subject property and neighborhood on July 13, 2022. Douglas Slavik did not inspect the subject property;
2. Examined economic and current market conditions;
3. Obtained retable building size from the lease provided;
4. Confirmed current zoning and reviewed land use regulations;
5. Defined and resolved "Highest and Best Use";
6. Obtained a copy of the Certificate of Title; and
7. Conducted market research and confirmed/verified comparable sales data.

Appraisal Limitations

This report is intended for conventional mortgage financing. We assume no responsibility for loans made where the borrower lacks the ability or motivation to repay the loan or where a lender has not followed prudent lending practices. Authorization to use this appraisal provided by a Letter of Transmittal is conditional on the lender completing a thorough due diligence investigation that reasonably concludes that the borrower has the intention and capacity of repay the loan. Use of this report without a Letter of Transmittal from Frost Valuations is strictly forbidden.

Ownership and Sales History

The Appraisal Institute of Canada requires the analysis of any sales of the subject property that have occurred within the past three years prior to the effective date of the appraisal. Canadian Uniform Standards of Professional Appraisal Practice require the consideration and analysis of any current agreement for sale, option or listing of the property being appraised, if such information is available in the normal course of business.

The subject property is registered in the name of 1194038 Alberta Ltd. of 1304 Welbourn Lane, Edmonton, Alberta, T6M 2M2. The subject last sold in October 21 2005 for the amount of $2,300,000.

```
LINC            SHORT LEGAL                                     TITLE NUMBER
0014 065 461    7722579;2;7                                     052 462 605

LEGAL DESCRIPTION
PLAN 7722579
BLOCK 2
LOT 7
EXCEPTING THEREOUT ALL MINES AND MINERALS
AREA: 0.543 HECTARES (1.34 ACRES) MORE OR LESS

ESTATE: FEE SIMPLE
ATS REFERENCE: 4;25;53;4;SE

MUNICIPALITY: CITY OF EDMONTON

REFERENCE NUMBER: 002 087 390

-----------------------------------------------------------------------------
                         REGISTERED OWNER(S)
REGISTRATION    DATE(DMY)  DOCUMENT TYPE     VALUE          CONSIDERATION
-----------------------------------------------------------------------------

052 462 605    21/10/2005  TRANSFER OF LAND  $2,300,000     $2,300,000

OWNERS

1194038 ALBERTA LTD.
OF 1304 WELBOURN LANE
EDMONTON
ALBERTA T6M 2M2
```

An offer to purchase has been received by the owner for $5,800,000 (a copy of the offer to purchase was provided).

TITLE ENCUMBRANCES

A copy of the Certificate of Title is contained within the Addendum of this report. There are 5 encumbrances registered against title (see below). We have not reviewed each encumbrance registered on title and make no legal opinion in this respect.

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-------------------------------------------------------------------------------
                        ENCUMBRANCES, LIENS & INTERESTS

REGISTRATION
  NUMBER     DATE (D/M/Y)        PARTICULARS
-------------------------------------------------------------------------------

092 096 831   31/03/2009 CAVEAT
                         RE : LEASE INTEREST
                         CAVEATOR - CANADIAN TIRE REAL ESTATE LIMITED.
                         BOX 770, STATION K
                         2180 YONGE ST
                         ATTENTION PRESIDENT
                         TORONTO
                         ONTARIO M4P2V8
                         AGENT - JEFFREY H SELBY

162 289 182   17/10/2016 MORTGAGE
                         MORTGAGEE - BANK OF MONTREAL.
                         5TH FLOOR, 10199 - 101 STREET, EDMONTON
                         ALBERTA T5J3Y4
                         ORIGINAL PRINCIPAL AMOUNT: $3,700,000

162 289 183   17/10/2016 CAVEAT
                         RE : ASSIGNMENT OF RENTS AND LEASES
                         CAVEATOR - BANK OF MONTREAL.
                         5TH FLOOR, 10199 - 101 STREET, EDMONTON
                         ALBERTA T5J3Y4
                         AGENT - JOHN B WILLIAMS

172 013 417   14/01/2017 MORTGAGE
                         MORTGAGEE - JOGINDER SUNNER
                         MORTGAGEE - GUGGENDEEP JAWANDA
                         BOTH OF:
                         16404 100 AVE
                         EDMONTON
                         ALBERTA T5P4Y2
                         ORIGINAL PRINCIPAL AMOUNT: $200,000

182 010 575   13/01/2018 MORTGAGE
                         MORTGAGEE - GUGGENDEEP JAWANDA
                         16404 100 AVE
                         EDMONTON
                         ALBERTA T5P4Y2
                         ORIGINAL PRINCIPAL AMOUNT: $60,000

TOTAL INSTRUMENTS: 005
```

Since the appraiser of this report does not have the legal training to interpret these documents with certainty, legal counsel should be solicited for a full explanation of this encumbrance. For the purposes of this report, the instruments are assumed to have no significant effect on the marketability or market value of the subject property. It is noted that the utility rights of way limit the developability of the subject property. The other instruments are assumed not to have any significant effect on value, such an influence has not been measured within this appraisal. Readers therefore need to investigate the encumbrance independently and determine for themselves the effect that they have on market value. It is also noted that the property has been appraised as if free and clear of all property-related financing. A copy of the subject property title has been inserted in the Addenda to this report if further information is sought.

MARKET VALUE DEFINITION

Market Value, as defined within the Canadian Uniform Standards, means the most probable price that a property should bring in a competitive and open market, as of a specific date, under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

1. Buyer and seller are typically motivated;
2. Both parties are well informed or well advised, and acting in what they consider their best interests;
3. A reasonable time is allowed for exposure in the open market;
4. Payment is made in terms of cash in Canadian dollars or in terms of financial arrangements comparable thereto; and
5. The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

LEASED FEE DEFINTION

A leased fee interest is the lessor's, or landlord's, interest. A landlord holds specified rights that include the right of use and occupancy conveyed by lease to others. The rights of the lessor (the leased fee owner) and the lessee (leaseholder) are specified by contract terms contained within the lease. Although the specific details of leases vary a leased fee generally provides the lessor with the following rights:

1. Rent to be paid by the lessee under stipulated terms.
2. The right of repossession at the termination of the lease.
3. Default provisions.
4. The right of disposition, including the rights to sell, mortgage, or bequeath the property, subject to the lessee's rights, during the lease period.

Leased Fee Interest - The ownership interest held by the lessor, which includes the right to the contract rent specified in the lease plus the reversionary right when the lease expires.

Leasehold Interest – The right held by the lessee to use and occupy real estate for a stated term and under the conditions specified in the lease.

EXPOSURE TIME AND TERMS OF SALE

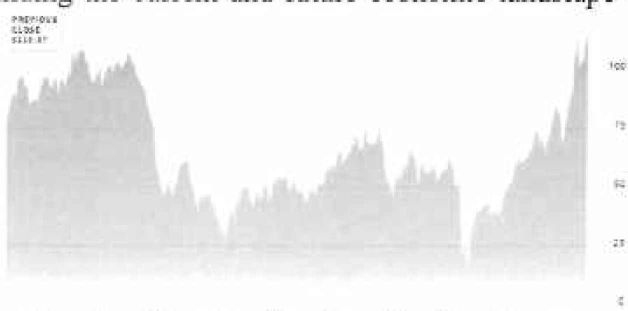
The market value estimate contained herein is based on the assumption that a reasonable amount of time was allowed for exposure of the property in the open market. The concept of reasonable exposure time also incorporates a reasonable marketing effort. The reasonable exposure time for the subject property has been estimated by analyzing sale periods of comparable properties. The reasonable exposure time for the subject property is estimated at 3 to 12+ months.

The terms of sale being considered herein comprise of cash to the vendor, with the potential purchaser arranging mortgage financing as required.

MARKET OVERVIEW

PROVINCE OF ALBERTA

Overall, Alberta's economy performed well between 2011 to mid-2014. This is especially true in relation to the other provinces in Canada. However, fluctuating commodity prices, mainly oil and natural gas, affected provincial revenues and contributed to economic uncertainty from the 2nd half of 2014 to the end of 2018. Alberta's economy had begun to show signs of recovery in 2018 and 2019; however, with lower oil and gas prices, pipeline uncertainty, and the ongoing Covid-19 pandemic, GDP contracted by -5.4% in 2020 with a rebound predicted in 2021. Optimism grew in late 2021, and into 2022, as positive trends have emerged, including: rising oil prices, increased activity in the real estate market, construction, and agricultural sectors, along with increasing investor confidence. A closer analysis of past market conditions for oil and natural gas will be beneficial in understanding the current and future economic landscape of Alberta.



Historically, the price of crude oil has been erratic, culminating in an all-time high of roughly $140 US/Barrel in mid-2008. This was partly due to geopolitical upheaval and instability in the Middle East, largely within Iraq (OPEC member). In early 2016, oil prices dropped below $35 US/Barrel, leading to speculation of a downturn in Canadian oil production (Alberta's oil sands) and subsequently the oil industry. This appears to have affected a number of Alberta's larger companies, resulting in layoffs and the halting/suspension of projects. Since the beginning of the Covid-19 pandemic in early 2020, the price of oil has declined, to where it eventually hit a low of approximately USD$12 per barrel. This decline was due in large part to the ongoing disagreement on pricing between OPEC and Russia, as well as the decreased demand caused by Covid-19. Recently however, oil prices have risen to 2014 levels, reaching USD$116.87 per barrel, as of early June 2022 (chart above right). Increases in the price oil of oil over the past several months is due to the easing of public health restrictions and a surge of pent-up demand, which has stimulated the economy. More recently, the war in Ukraine has further increased the price of oil here in Alberta. It is noted that oil prices dropped into negative territory for the first time in history on April 20, 2020, dropping to negative -$37.63 US/barrel for one day before returning to positive numbers.

Alberta's oil reserves are largely oil sands based, which has higher refinement costs, transportation challenges, and narrow margins which provide less room between profit and loss. As a result, there is a higher likelihood of broader slowdown as prices decrease. This can have a detrimental effect on Alberta's economy. Price equilibrium is important for extraction to be both economically feasible and to meet risk thresholds of investors. Furthermore, prices for oil bitumen from Alberta have been restricted based on the difficulties of obtaining pipeline approvals and the costs of delivering the product outside of the province. The recent decisions of Canada's federal government have made these pipelines more likely; however, on his first day in office, US President Biden revoked the permit for the Keystone pipeline. Since then, both American and Canadian politicians have pushed to have Biden overturn the cancellation of the project. Also, action on construction of these pipelines has not been seen to a notable degree.

As for natural gas, the average price was \$2.52 US/MMBtu in 2016, \$2.99 in 2017, and \$3.15 in 2018. The price of natural gas was above \$2.50 US/MMbtu from mid-2016 onwards to January 2019. The average price for 2019 was reported to be \$2.57 US/MMBtu, while the average price in 2020 was \$2.05 US/MMBtu. As of early June 2022, the price natural gas sits at USD\$8.485/MMBtu; an increase on a year-over-year basis. The overall increase in price, seen in recent months, is expected to significantly affect Canadians in the coming months; from increased utilities costs, to higher food prices, due to supply chain cost increases. This increase in price is due to several factors, including recent spikes in demand as pandemic related restrictions ease, unpredicted climate patterns, and low output from renewable energy sources: shifting demand to natural gas.

The Canadian Association of Oilwell Energy Contractors (CAOEC) reported that 5,094 wells are expected to be drilled in 2022, and forecasts 6,457 wells are to be drilled in 2022. The November 23, 2021, CAOEC Report further reports, the operating days for 2021 are expected to be 45,843, which is down from 2017 at 66,524 days, but up from 2020 figures of 29,790 days. There were 45,843 operating days in 2021, which is similar to 2019, and significantly up from 2020. The CAOEC reported that in 2020, there were an average of 81 active rigs, 3,293 wells drilled, and 29,790 operating days, throughout the year. The projections in 2022 are almost double 2019 figures at 159. As a result of higher oil global demand amid the Covid-19 pandemic, the 2021 statistics were more positive than those seen in 2020, with higher projections. According to the CAOEC forecast for 2022, there is expected to be an average of 159 active rigs throughout the year, 6,457 wells drilled, and 58,111 operating days. This represents year-over-year growth of 26% and 27%, in the number of active rigs and operating days, respectively.

ACTIVITY STATISTICS	OPERATING DAYS	RIG RELEASE WELLS DRILLED	IMPACT ON EMPLOYMENT	AVERAGE ACTIVE RIGS
			JOBS PER RIG	–
2014	131,021	13,089	2014	358
2015	64,893	6,190	2015	178
2016	43,229	4,627	2016	119
2017	66,524	7,091	2017	184
2018	64,722	7,428	2018	176
2019	45,428	5,545	2019	122
2020	29,790	3,293	2020	81
2021 Actual + Q4 Forecast	45,843	5,094	2021 Actual + Forecast	126
2022 Forecast	58,111	6,457	2022 Forecast	159
2014 vs 2022	-72,910 (55.6%)	-6,632 (50.7%)	2014 vs 2022	-199
2021 vs 2022	12,268 26.8%	1,363 26.8%	2021 vs 2022	33

The Petroleum Services Association of Canada (PSAC) released its Oilfield Services Activity Forecast for Canada in 2022 on November 10, 2021. According to the PSAC forecast, there are expected to be 5,400 wells (rig releases) drilled in Canada in 2022, which is greater than the 2021 revised prediction of 4,650 wells. On a provincial basis, PSAC estimates 3,125 wells drilled in Alberta, representing a year-over-year increase of 450 wells drilled in 2022. The PSAC forecast is based on forecasted crude oil prices averaging \$70US/barrel (WTI) and natural gas prices averaging \$4.10 US/MMbtu, in 2022.

Investor confidence in Canada in the oil and gas sector took another hit after the cancellation of the TransCanada Energy East Pipeline; however, polls do show that countries would still prefer Canadian oil and gas that is responsibly developed and attempting to reduce carbon emissions through innovation. There is uncertainty in the outcome of the Trans Mountain Pipeline from Alberta to B.C., as interprovincial federal politics have yet to resolve all development hurdles. However, the Federal Government's purchase of the Trans Mountain Pipeline and potential for completion of the project should provide some renewed interest in the oilsands market. The dismissal of an appeal by First Nations opposed to the pipeline in the Federal Court of Appeals has increased optimism for the completion of the project. For investors in clean technology, optimism has grown due in part to the Alberta government's continued funding of programs involved in the research and development of emerging technology. Additionally, the oil and gas industry has helped bolster this confidence through initiatives such as the Oil Sands Net Zero Alliance and the Oil Sands Pathway to Net Zero; demonstrating the industry's commitment to reaching net zero emissions.

Also to note is the International Energy Agency's (IEA) "Net Zero by 2050" report, which outlines a roadmap to reaching net-zero emissions. The plan calls for no future investment in fossil fuel infrastructure beyond what has already been committed as of 2021. The IEA states that this focus on climate change will cause a sharp decline in the demand for fossil fuels, and that oil and gas producers will need to focus on output and emission reductions from the operation of their existing assets. The report shows oil demand falling 75 per cent between 2020 and 2050, with 52 per cent of the reduced supply provided by OPEC nations. Additionally, the IEA states that the production of said supply will become "increasingly concentrated in a small number of low-cost producers" – a pattern that will have a significant impact on Alberta, which is well recognized as an expensive producer.

Following the Russian invasion of Ukraine in late February 2022, Alberta oil and gas prices have jumped as international sanctions placed against Russia have shifted more of the demand to Alberta. As Russia currently ranks as the third largest producer of oil, the unfolding of this war has stirred international conversation regarding energy interdependence. In, Canada many believe these recent developments illustrate the importance of promoting Canadian energy, specifically in Alberta, and reducing the country's energy reliability on international trading partners. More recently, a report from CBC stated that despite the recent rebound of the oil and gas industry, companies are struggling to recruit enough workers to meet the recent increases in demand. Since the recession in 2014, and subsequent decrease in energy prices, many oil and gas workers have lost their job. Now that prices are returning to pre-2014 levels, the industry is trying to bring back workers that have reportedly moved on to other fields since 2014, by introducing more competitive compensation packages and other non-monetary benefits.

According to the Royal Bank of Canada's Provincial Outlook released in June 2021, Alberta's Real GDP grew by 1.9% in 2018 and 0.1% in 2019. As shown in the chart, a -8.2% contraction is forecasted for 2020; an estimate originally forecasted at -8.3% in RBC's December 2020 report. The Real GDP is forecasted to increase 5.9% in 2021 and 4.8% in 2022. The unemployment rates forecasted for Alberta is 11.4% in 2020, 8.7% in 2021, and 6.4% in 2022. The chart (below) summarizes the RBC June 2021 Alberta Provincial Outlook.

Alberta forecast at a glance

% change unless otherwise specified

	2018	2019	2020F	2021F	2022F
Real GDP	1.9	0.1	-8.2	5.9	4.8
Nominal GDP	3.4	2.7	-11.8	20.7	6.7
Employment	1.9	0.7	-6.6	5.6	2.5
Unemployment Rate (%)	6.7	7.0	11.4	8.7	6.4
Retail Sales	1.6	-0.8	-2.7	9.3	2.9
Housing Starts (Thousands of Units)	26.1	27.3	24.0	28.6	28.6
Consumer Price Index	2.5	1.7	1.1	2.3	2.2

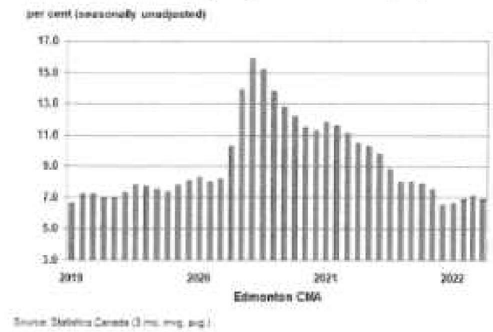
In late 2021, RBC reported that activity in the oil and gas market is forecasted to increase, particularly in terms of the sector's capital expenditures. This is reportedly due in large part to increase in demand, as well as increasing pipeline capacity to deliver oil to the market, for instance the Enbridge Line 3 replacement project. Conversely, RBC reports that the province's renewable energy sector is forecasted to see even greater growth than the non-renewable sector. According to the RBC December 2021 Provincial Outlook, Alberta currently has 61 solar projects underway, to be complete in the mid-2020s. Although most believe fossil fuels will remain the primary energy source for the foreseeable future, energy diversification continues to grow. As of 2018, the number of renewable energy projects in Alberta has surpassed those involving oil and gas. In Southern Alberta, the abundant sunlight, decreased costs of solar technology, and renewable power purchase agreements, have made the region an attractive spot for solar power projects. Municipalities must now balance embracing these projects – and the tax revenue they will create – with the preservation of agricultural land.

Overall, the Alberta economy is beginning to return to pre-pandemic levels following the economic effects of Covid-19 experienced in the past two years. Forecasted GDP and employment figures suggest future economic growth on a macroeconomic level; however, the rising level of inflation remains a significant concern for all Canadians. Alberta's energy sector has shown signs of growth in recent months, as the price of oil has reached over $100USD per barrel. Further signs of increases in the oil and gas industry are seen in the growing number of active rigs, wells drilled, and operating days, as reported by the Canadian Association of Oilwell Energy Contractors. More recently, following the Russian invasion of Ukraine, Canadian leaders are continuing to emphasize the importance of Canadian energy independence, and promoting the country's ethically sourced energy products to global markets. With the recent growth in the province's crucial energy sector and the diversification into new technology-based industries and renewable energy, Alberta appears to be well positioned to regain its place of economic leadership among the Canadian provinces.

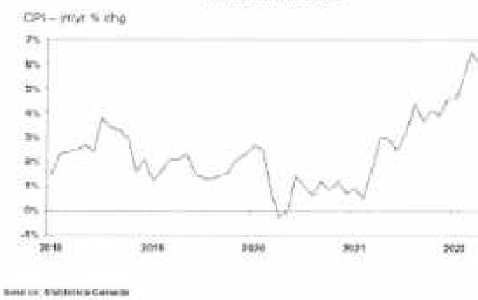
Edmonton Region

As Alberta's capital city and major hub to northern Alberta, Edmonton had been experiencing moderate growth even though oil prices began sharply declining in August 2014. The reach of global economic instability has been somewhat limited in Edmonton over the last few years as there have been a number of capital projects in the City, specifically Downtown. Positive diversification of industry has been beneficial for Edmonton; despite this, the City has a history of reliance on industries associated with natural resources. An overview of several of Edmonton's economic indicators can be seen as follows.

Unemployment Rate (%)



Annual Inflation Rate
Edmonton CMA

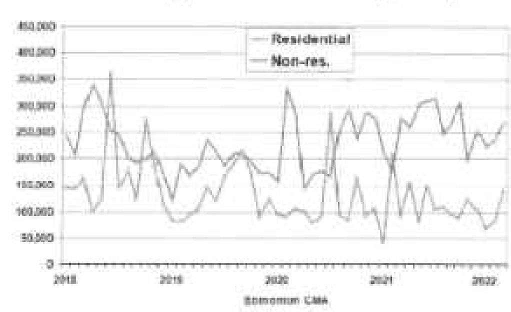


The number of people employed (seasonally adjusted) in Greater Edmonton increased in April 2022 by 2,100 jobs, from the previous month. The unemployment rate (seasonally adjusted) in the Edmonton CMA decreased slightly from the previous month in April 2022 to 6.9%, from 7.1%. This is a decrease on a year over year basis, as the unemployment rate was 10.5% in April 2021.

In April 2022, the Consumer Price Index in the Edmonton CMA increased by 5.7%, from last year, while inflation rate in Edmonton increased by 6.1%, year-over-year.

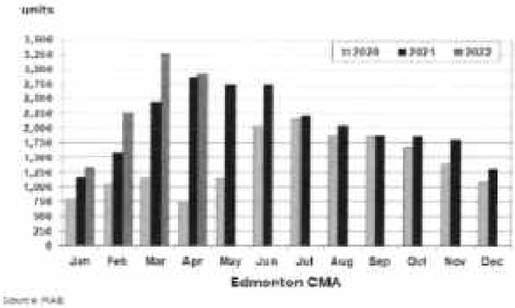
As seen in the chart right (Source: Urban Development Institute Market Watch – June 2022), the total value of residential and non-residential building permits issued in the Edmonton region increased by 10% to $408.9 million from a year earlier. It is noted that the number of building permits issued, and their value is a useful indication of economic prosperity for a municipality. Residential permit values decreased 3% from last year, whereas non-residential permit values increased by 50%, to $139.3 million.

Building Permit Values ($000)

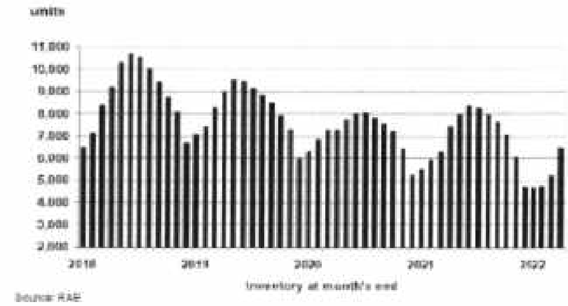


According to the Realtors Association of Edmonton's (RAE) April 2022 report, total residential sales in the Edmonton area (CMA) increased in April by 2% compared to a year earlier, to 2,919 units. The residential (MLS) active listings amounted to 7,453 units at the end of April 2022, down 13.2% from a year earlier.

Residential MLS® Sales

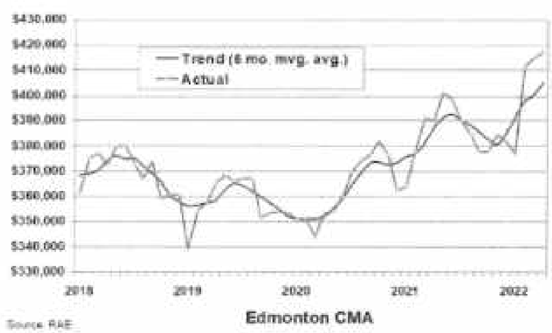


Residential MLS® Active Listings
Edmonton CMA

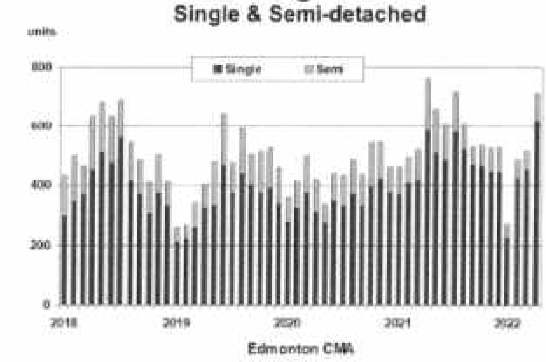


The average residential MLS sale price in the Edmonton CMA increased in April 2022 by 7.1% on a year-over-year basis, to $417,465. The average price of homes sold in the first four months of 2022 was up 6.6% compared to the first four months of 2021. Single-family starts in the Edmonton CMA increased in April by 5.5% year-over-year, to 619 units. Semi-detached starts were down in April by 46%, on a year-over-year basis to 96 units. For the year-to-date single and semi-detached starts combined have decreased by 11.2% to 1,992 units.

Residential MLS® Average Sale Price

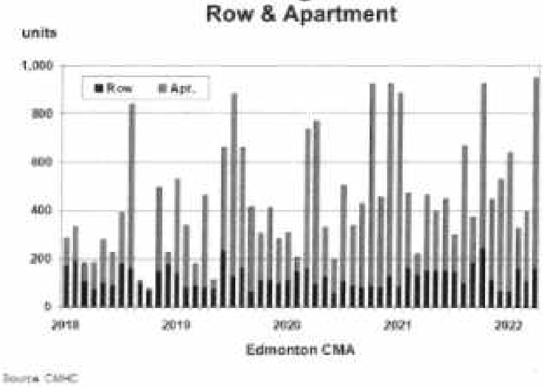


Housing Starts
Single & Semi-detached



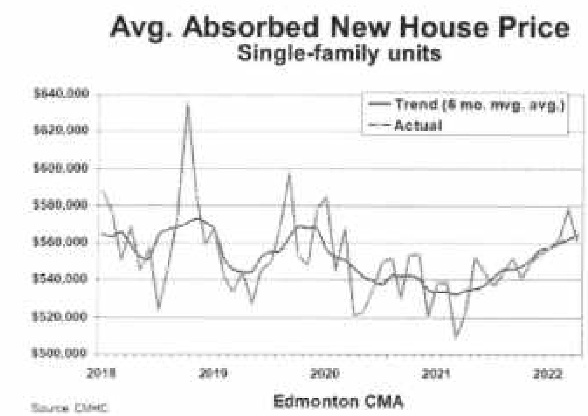
Townhouse (row) and apartment starts in the Edmonton region doubled in April 2022 from a year-ago to 952 units. Row and apartment starts increased by 54.6% compared to the first four months of 2021.

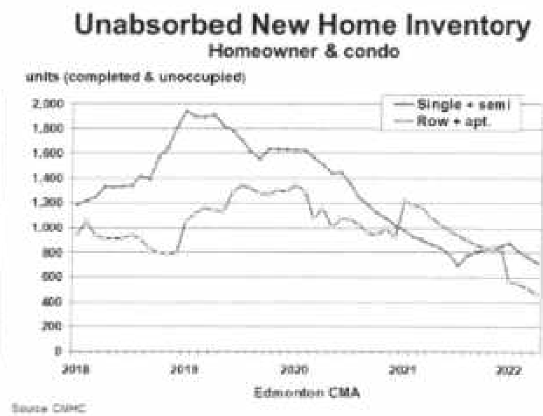
Housing Starts
Row & Apartment



According to Statistics Canada's residential construction price index, construction costs in Edmonton were up by 26.6% in Q1 2022, due to increased input costs. The rate of price growth however, eased during this period, due to moderation in the demand generated increase in lumber. The non-residential building price index also increased year-over-year, by 14%, compared to Q1 2021.

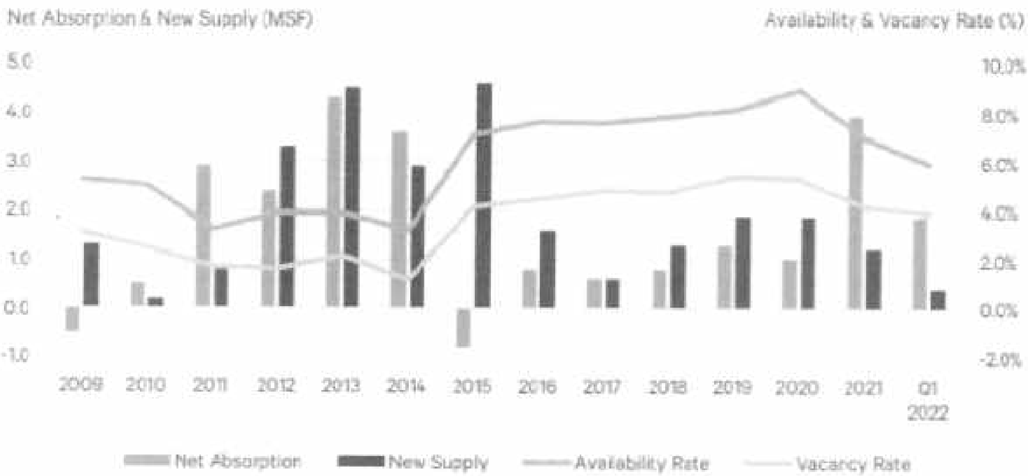
The Canada Mortgage and Housing Corporation (CMHC) reported that there were 720 completed and unoccupied single and semi-detached units (including show homes) in the Edmonton CMA in April 2022, a decrease from the 766 units in March, and down from 868 units a year earlier. Unabsorbed new townhomes and apartments in the Edmonton CMA totaled 467 units in April 2022, a decrease from the 513 units seen the month before, and the 1,081 units in April 2021. Total new home inventory dropped by 39% year-over-year in April 2022 to 1,187 units. According to CMHC, the average price for single-detached units absorbed in the Edmonton region in April 2022 increased by 7.1% on a year over year basis to $563,817.





Another important economic indicator for the City of Edmonton is the Industrial real estate market. According to the Quarter 1, 2022 Edmonton Industrial Marketview Report completed by CBRE, the Edmonton CMA has an industrial vacancy rate of 3.9%, which is a decrease from Quarter 4, 2021 (4.2%), Quarter 3, 2021 (4.4%), and Quarter 2, 2021 (5.2%,). The current vacancy rate reported by CBRE is a five-year low, for the Edmonton Industrial market. Further, it is noted that, although the availability rate had steadily increased since 2014; Quarter 1, 2017 saw the rate fall for the first time. The availability rate for Quarter 4, 2017 was reported at 7.6%, and the availability rate for Quarter 4, 2018 increased to 7.9% and was reported to have increased again in Quarter 4, 2019, to 8.2%. The availability rate for Quarter 3, 2020 was reported to be 8.6%, which is a decrease of 0.1% from Quarter 2, 2020 (8.7%). The availability rate for Quarter 1, 2022 was reported to be 5.9%, down from 7.0%, in Quarter 4, 2021.

FIGURE 1: Historical Leasing Fundamentals



Source: CBRE Research, Q1 2022

The availability rate indicates that although space is currently leased, there is a potential influx of vacant space available for sublet, which is occupied space available for sublet, or space which is going to become available from downsizing or departures of businesses in Edmonton and new inventory coming online.

According to CBRE, the Edmonton Industrial real estate market absorbed approximately 285,598 square feet in Quarter 3, 2018, and reported a negative absorption of -29,161 square feet for Quarter 4, 2018. The Quarter 1, 2019 absorption was reported to be 329,801 square feet and absorption was 31,500 square feet in Quarter 2, 2019. The Quarter 3, 2019 absorption was reported to be 738,846 square feet. The fourth quarter of 2019 was a welcome end to what proved to be a challenging year in the Edmonton industrial real estate market. In the fourth quarter availability was 8.2%, on positive absorption of 296,932 sq. ft. Edmonton's industrial market finished 2019 with year-to-date total absorption of 1,334,079 sq. ft. This was the highest year-end absorption seen in the Edmonton market since 2014.

The net absorption for Quarter 1, 2020 was reported to be 428,059 square feet. In Quarter 2, 2020, Edmonton's industrial market experienced a negative absorption of approximately 800,000 square feet. In Quarter 3, 2020, the Edmonton CMA experienced 1.8 million square feet of positive absorption. In Quarter 4, 2020, there was a negative absorption of 423,566 square feet. The majority of this negative absorption was driven by the Nisku/Leduc submarket, which continues to suffer the pullback of the energy industry. In 2021 positive net absorption in the industrial market continued to outpace all other asset classes at over 4 million square feet. In Quarter 1, 2022, positive net absorption was reported at 1.87 million square feet. In order to diversify Canada's energy offering, the Province of Alberta announced its 'Natural Gas Vision and Strategy', which focuses on becoming a global supplier of natural gas and its biproducts, including petrochemicals and blue hydrogen. According to the CBRE report, this push by the province has the backing of the Federal Government of Canada, which is a positive sign for greater investment and job growth in the upcoming years for Edmonton's industrial market.

Development	City	Approx. Size (SF)	Est. Completion Date
Highlands Business Park (Amazon Facility)	Acheson	2,900,000	H2 2022
Apex Building 3	Edmonton	548,214	H2 2022
Horizon Business Park (Building E)	Edmonton	214,070	H1 2022
Discovery Business Park (Centre 4)	Nisku	212,834	H1 2023
Anthony Henday Business Park	St. Albert	196,700	H1 2022
Southport Crossing (Building 3)	Edmonton	154,000	H1 2022
QEII Teck	Nisku	110,963	H1 2023
Discovery Business Park (Centre 3)	Nisku	108,197	H1 2022

Source: CBRE Research, Q1 2022

According to CBRE, there is currently 4.6 million square feet currently under construction in the Edmonton industrial market, with 2.9 million square feet attributable to the five-storey Amazon facility being built in Acheson. In the Northwest region, the Apex 3 Centre which recently began construction is set to add another 548,214 square feet to the market in 2022. The Anthony Henday Business Park will also add another 196,700 square feet in 2022.

The average net asking rate in the Edmonton CMA for Quarter 1, 2018 was reported to be \$9.68 per square foot and \$9.70 per square foot for Quarter 2, 2018. The average net asking rate for Quarter 3, 2018 was reported to be \$10.01 per square foot and was reported to be \$9.52 per square foot for Quarter 4, 2018. The average net asking rate was \$9.91 per square foot for Quarter 1, 2019, \$10.22 per square foot for Quarter 2, 2019, and \$10.32 per square foot for Quarter 3, 2019. Quarter 4 2019 saw a drop in the average asking rate to \$10.03 per square foot. The Quarter 1, 2020 average asking rate was \$10.06 per square foot, Quarter 2, 2020 was reported to be \$10.28 per square foot, Quarter 3, 2020 was reported to be \$10.26 per square foot, and Quarter 4, 2020 was reported to be \$10.40 per square foot. The Quarter 2, 2021 average net asking lease rate was \$10.12 per square foot, down from \$10.33, in Quarter 1, 2021. It is also noted that industrial energy parks, such as Nisku, have shown higher than average lease rate decreases.

The following chart from Avison Young displays the net asking rents in the Edmonton industrial market as of Quarter 4, 2021, categorized by region and bay size.

	Southeast		Northwest		Northeast		Leduc/Nisku		Sherwood Park		Acheson	
Net Asking Rent By Bay Size:	Multi-Tenant	Free-standing	Multi-Tenant	Free-standing	Multi-Tenant	Free-standing	Multi-Tenant	Free-standing	Multi-Tenant	Free-standing	Multi-Tenant	Free-standing
0 - 5,000 sf	$9.75	$13.50	$9.75	$10.75	$9.50	-	$9.75	$13.75	$14.25	-	$9.50	-
5,001 sf - 10,000 sf	$9.25	$13.00	$9.50	$9.75	-	$17.00	$9.25	$12.50	$14.00	$11.00	$10.00	$15.00
10,001 sf - 20,000 sf	$9.00	$12.50	$7.75	$9.75	-	-	$10.00	$11.75	$12.00	$12.00	$11.50	$15.00
20,001 sf - 50,000 sf	$8.75	$12.00	$7.50	$9.25	$6.50	-	$9.75	$9.50	$11.50	-	-	$14.75
50,001 sf - 100,000 sf	$8.00	$10.50	$7.50	$7.25	-	-	$8.50	$8.50	$11.50	$9.25	-	$14.00
100,001 sf & Up	$8.00	$9.50	$7.75	$6.75			$8.25					$13.00

On the north edge of the Downtown core, construction of Rogers Place and other facilities within the Ice District are well underway and the arena portion opened for the inaugural 2016 hockey season. Once Ice District is completed, this major downtown redevelopment revitalization is slated to become the largest mixed-use sports and entertainment development in Canada. The Ice District will revitalize approximately 25 acres of Downtown Edmonton, encompassing the lands from 101 Street to 104 Street, and 103 Avenue to 106 Avenue. The first phase of development will include approximately 1.3 million square feet of office space, more than 1,000 residential units, and over 215,000 square feet of retail space. Details of Phase 2 include development moving to the areas to the east and north of Rogers Place and include 12 towers, three on the site of the shuttered Baccarat Casino (Corner of 101 Street and 104 Avenue) and nine in the area between 105 and 106 Avenues and 101 and 105 Streets. Phase 2 will be more focused on creating a residential face in the downtown core, which could bring 4,000 units online over the next several years. The plans for Phase 2 are still conceptual (rendering below) and open to changes between the City of Edmonton and community stakeholders. Upon completion, the Ice District will greatly alter the Edmonton real estate market, providing an immense supply of product, and rejuvenating the downtown core. Although the year over year permit value is down, various construction projects continue, and Edmonton's economy has remained fairly stable in comparison to other Albertan cities. However, a measured degree of caution should be exercised as volatile natural resource markets and the ongoing Covid-19 Pandemic can negatively affect growth, as has recently been shown.

Neighborhood Overview

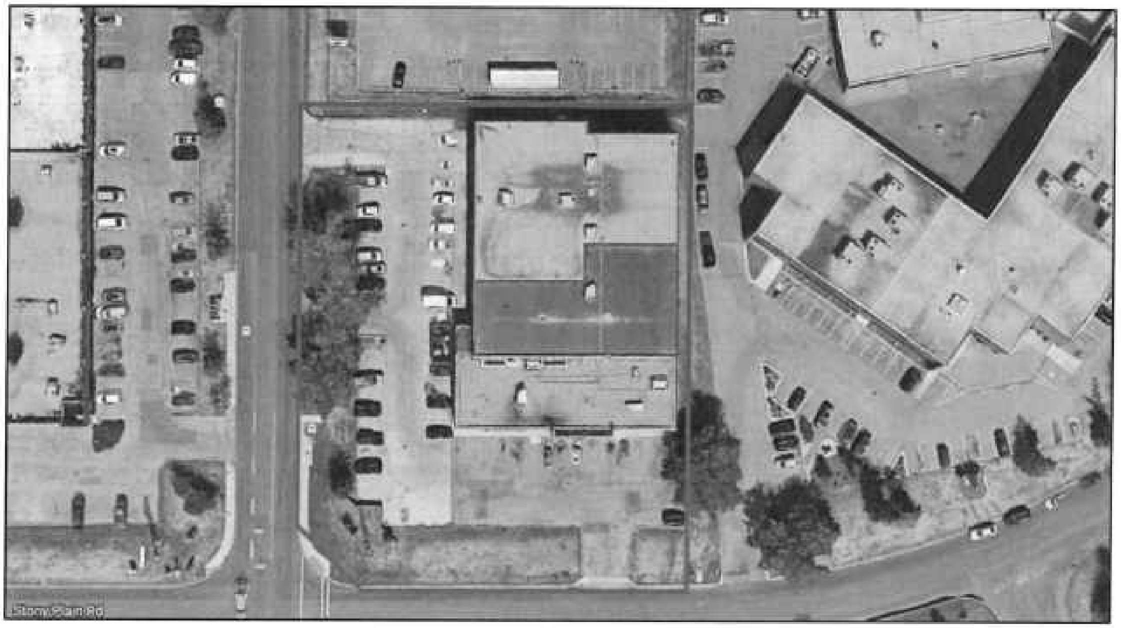
The subject is located on the south edge of the Stone Industrial neighbourhood of Edmonton. The neighbourhood is bounded on the north by 105 Avenue, on the south by Stony Plain Road, on the west by 178 Street and on the east by 170 Street. The subject property is located in the south-central portions of the neighborhood and faces the Stony Plain Road arterial roadway.

The subject property fronts a side street off Stony Plain Road and sides 175 Street. The area consists mainly of commercial and indusrial land use. Parking is available in the front and side parking lot.

Land use within the immediate area is a mix of industrial and commercial uses. Conventional light to medium industrial uses dominate the area along the northwest and north central portion of Stone Industrial with office, car dealerships and business indstrial and retail natured businesses dominating the southern and eastern peripheries. The subject property is represented by the latter, being a hybrid of commercial and industrial use with both a retail and warehouse component along with arterial exposure to Stony Plain Road (101 Ave) to the south. The property is surrounded by an array of uses with a similar mixture of commercial/industrial utilizations along the major corridors that border Stone Industrial and more typical industrial utilizations within the interior portions of the neighbourhood. There are a number of automotive dealerships to the west of the subject and office and retail uses to the east and north east of the subject. Stone Industrial is a mature area, with much of the existing development in place being older. The subject is representative of the latter stages of development within Stone Industrial.

PROPERTY OVERVIEW

SITE DESCRIPTION



Shape, Dimensions and Size:	The subject site is irregular in shape, as depicted above in red. The site has ±225 feet of frontage along the side street of Stony Plain Road, and ±270 feet of frontage along 175 Street. According to the subject's Certificate of Tile and the Edmonton Assessment Department, the subject site has an area of ±1.34 acres.
Site Coverage:	±35%, based on a building area of ±20,397 square feet and site area of ±1.34 acres.
Access:	Vehicular access to the subject site is available from the side street off Stony Plain Road (an arterial roadway) and from 175 Street.
Utility Services:	A full range of municipal services are available to the subject site. This includes sanitary sewer, water, power, natural gas and telephone. Adjoining roadways have an asphalt surface and concrete curbs.

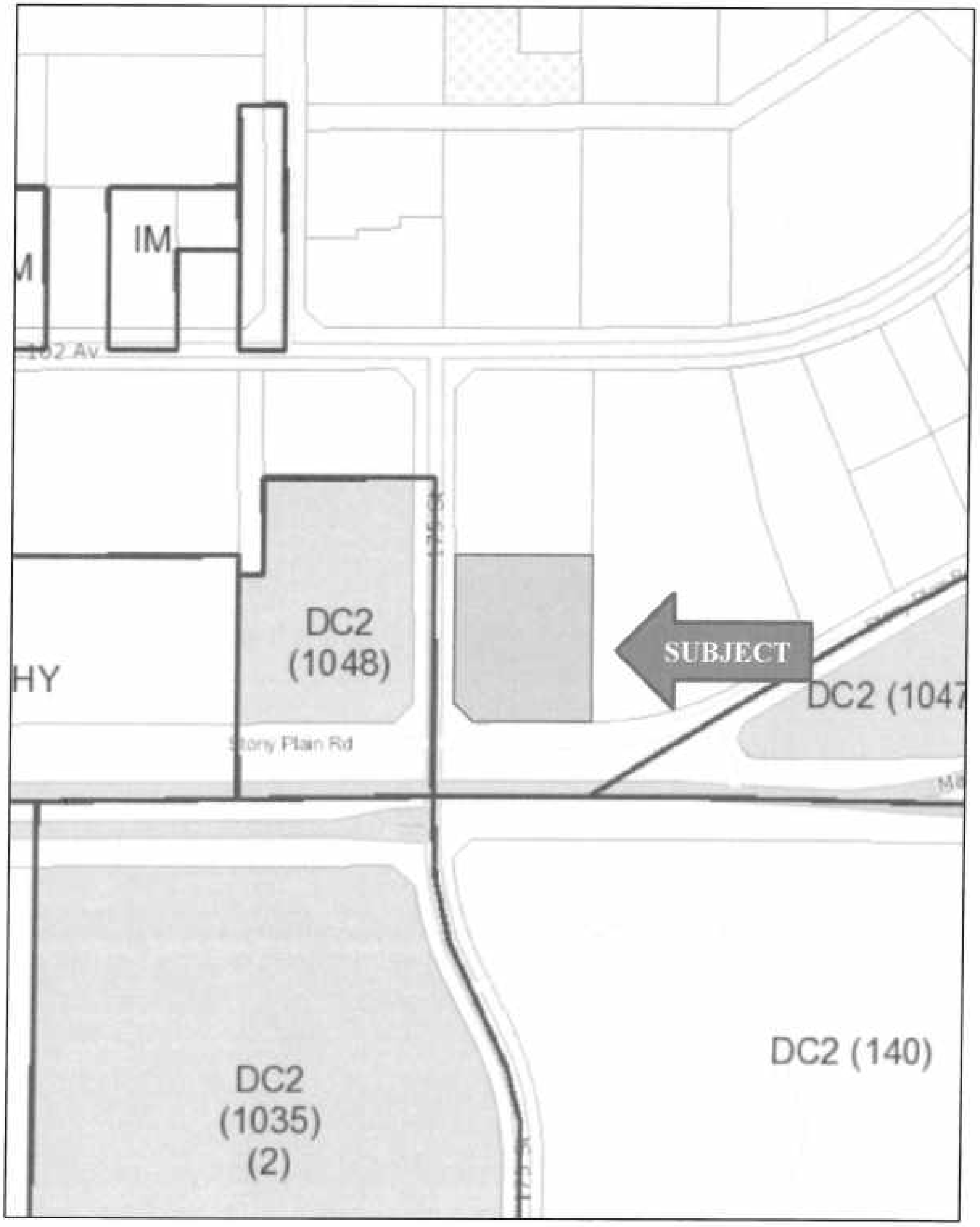
Soil & Topography:

We did not review any soil or environmental reports for the subject property. Although no obvious signs of contamination were evident, the presence of hazardous substances or environmental conditions may affect the value of the property.

The value estimate contained herein assumes there are no detrimental conditions or environmental problems on the property or in such proximity thereto that it would cause a loss in value. No responsibility is assumed for any such conditions, nor for any expertise or engineering knowledge required to discover them.

The topography of the subject site is basically level with some sloping along the perimeters.

LAND USE CLASSIFICATION



Zoning: The subject property is currently zoned IB - Industrial Business Zone. A copy of the Land Use Bylaw and Land Use map, are provided below and on the following pages.

Edmonton Zoning Bylaw 12800

400 (IB) Industrial Business Zone

Bylaw 14127
January 11, 2006

400.1 General Purpose

The purpose of this Zone is to provide for industrial businesses that carry out their operations such that no nuisance is created or apparent outside an enclosed building and such that the Zone is compatible with any adjacent non-industrial Zone, and to accommodate limited, compatible non-industrial businesses. This Zone should normally be located on the periphery of industrial areas and adjacent to arterial or major collector roadways.

400.2 Permitted Uses

1. Business Support Services

Bylaw 18171
September 11, 2017

2. Breweries, Wineries and Distilleries

Charter Bylaw 18387
June 12, 2018

3. Cannabis Retail Sales

Bylaw 16224
September 10, 2012

4. Creation and Production Establishments
5. Equipment Rentals, provided that all equipment and goods for rent are contained within an enclosed building
6. Gas Bars
7. General Industrial Uses

Bylaw 18882
June 17, 2019

8. Liquor Stores

Bylaw 16224
September 10, 2012

9. Major Service Stations

Bylaw 16224
September 10, 2012

10. Minor Service Stations
11. Professional, Financial and Office Support Services

Charter Bylaw 18613
November 26, 2018

12. Special Event
13. Specialty Food Services, for less than 100 occupants and 120 m^2 of Public Space
14. Fascia On-premises Signs
15. Freestanding On-premises Signs
16. Projecting On-premises Signs
17. Temporary On-premises Signs

400.3 Discretionary Uses

1. Animal Hospitals and Shelters
2. Auctioneering Establishments, provided that all goods and equipment to be auctioned are stored and displayed within an enclosed building
3. Automotive and Equipment Repair Shops
4. Automotive and Minor Recreation Vehicle Sales/Rentals

Bylaw 13117
July 8, 2002

5. Bars and Neighbourhood Pubs, for less than 200 occupants and 240 m^2 of Public Space if adjacent to or across a Lane from a Site zoned residential

Bylaw 17642
May 25, 2016

6. Child Care Services
7. Commercial Schools
8. Convenience Retail Stores
9. Convenience Vehicle Rentals
10. Drive-in Food Services
11. Fleet Services
12. Funeral, Cremation and Interment Services

Bylaw 17403
October 19, 2015
Effective date: February 1, 2016

13. Greenhouses, Plant Nurseries and Garden Centres
14. Health Services
15. Indoor Participant Recreation Services
16. Limited Contractor Services

Charter Bylaw 18613
November 26, 2018

17. Market

Bylaw 16224
September 10, 2012

18. Media Studios
19. Minor Amusement Establishments
20. Mobile Catering Food Services

Bylaw 13117
July 8, 2002

21. Nightclubs, for less than 200 occupants and 240 m² of Public Space, if adjacent to or across a Lane from a Site zoned residential
22. Outdoor Participant Recreation Services
23. Personal Service Shops
24. Private Clubs
25. Rapid Drive-through Vehicle Services
26. Recycling Depots
27. Recycled Materials Drop-off Centres
28. Religious Assembly, excluding rectories, manses, dormitories, convents, monasteries and other residential buildings
29. Residential Sales Centres

Bylaw 13117
July 8, 2002

30. Restaurants, for less than 200 occupants and 240 m² of Public Space, if adjacent to or across a Lane from a Site zoned residential
31. Specialty Food Services, for more than 100 occupants and 120 m² of Public Space
32. Truck and Mobile Home Sales/Rentals

Bylaw 17901
March 6, 2017

33. Urban Gardens

Bylaw 17403
October 19, 2015
Effective date: February 1, 2016

34. Urban Indoor Farms

Bylaw 17403
October 19, 2015
Effective date: February 1, 2016

35. Urban Outdoor Farms
36. Warehouse Sales
37. Vehicle and Equipment Sales/Rentals
38. Veterinary Services
39. Fascia Off-premises Signs
40. Freestanding Off-premises Signs

Bylaw 15892
October 11, 2011

41. Major Digital Signs

Bylaw 15892
October 11, 2011

42. Minor Digital Off-premises Signs

Bylaw 15892
October 11, 2011

43. Minor Digital On-premises Signs

Bylaw 15892
October 11, 2011

44. Minor Digital On-premises Off-premises Signs
45. Roof On-premises Signs

Bylaw 16313
January 21, 2013

46. Temporary Off-premises Signs

400.4 Development Regulations for Permitted and Discretionary Uses

1. Where this Zone is applied along a major collector or higher standard public roadway, the minimum Site Frontage shall be 30.0 m, unless access is provided from a service road.
2. The maximum Floor Area Ratio shall be 1.2.

Bylaw 15735
June 20, 2011

3. A minimum Setback of 6.0 m shall be required where any lot line of a Site Abuts a public roadway, other than a Lane, or Abuts the property line of a Site zoned residential.

Bylaw 15735
June 20, 2011
Charter Bylaw 18381
May 7, 2018

4. No loading, storage, trash collection, outdoor service or display area shall be permitted within a Setback.

Bylaw 16733
July 6, 2015
Bylaw 17832
November 28, 2016

5. The maximum Height shall not exceed 12.0 m, in accordance with Section 52 except that the Development Officer may, notwithstanding Section 11.4, grant a variance to permit a greater Height for a building housing a General Industrial Use up to a maximum of 14.0 m, where this is required to facilitate the industrial development of the Use involved.
6. Signs shall comply with the regulations found in Schedule 59F.

Bylaw 17403
October 19, 2015
Effective date: February 1, 2016

7. Urban Gardens shall comply with Section 98 of this Bylaw.

400.5 Additional Development Regulations for Discretionary Uses

1. The following regulations shall apply to Convenience Vehicle Rentals developments:

Charter Bylaw 19502
February 9, 2021

a. all storage, display or parking areas shall be Hardsurfaced in accordance with subsection 54.4.6 of this Bylaw

Bylaw 17672
June 27, 2016

b. all display areas that Abut a Residential Zone or a Lane serving a Residential Zone shall be screened, in accordance with the provisions of subsection 55.5(6) of this Bylaw; and

c. lighting for the display areas shall be mounted on lamp standards and no exposed bulbs or strings of lights shall be used.

2. Automotive and Minor Recreational Vehicle Sales/Rentals, Vehicle and Equipment Sales/Rentals shall comply with provisions of this Zone for Convenience Vehicle Rentals developments. The Development Officer may attach conditions to this Discretionary Use regarding the size, location, screening and landscaping of the outdoor vehicular display areas, to ensure that development is compatible with the appearance of surrounding developments.

3. The minimum Floor Area for a Warehouse Sales establishment shall not be less than 1 000 m^2 unless at least 50% of the Floor Area of the establishment is used for warehousing or storage of the goods sold or distributed from the establishment.

Bylaw 17403
October 19, 2015
Effective date: February 1, 2016

4. Urban Indoor Farms shall comply with Section 98 of this Bylaw.
5. Urban Outdoor Farms shall comply with Section 98 of this Bylaw.

Bylaw 17643
May 25, 2016

6. Child Care Services shall comply with Section 80 of this Bylaw.

Conformity: A Compliance Certificate for the subject site was not obtained; however, for the purpose of this analysis, it is assumed that the subject property's current use conforms to the general intent of the Land Use Bylaw.

Building Description

Property Type: The subject site is improved with a ±20,397 square foot, concrete block business industrial complex. The building is developed with a ±6,722 square foot show room and a ±13,675 square feet warehouse. The property functions as a Part Source retail store and distribution center with the retail wing positioned at the south end of the property and fronting Stony Plain Road West and the warehouse portion being positioned to the north of the retail showroom.

Building Size, Layout & Design: The ±20,397 square foot, main floor area is improved with a ±6,722 square foot retail showroom approximately ±12 feet high and a rear ±13,675 square feet warehouse approximately ±20-22 feet high.

The front portion consists of an open showroom area within the western half and parts storage within the eastern half, separated by a retail counter. There are two passages cut between the front and rear portion with the balance being demised by the concrete block superstructure.

The rear warehouse is generally open warehouse space, the central portions of the warehouse area lying adjacent to the retail section includes some staff amenity build-outs that include a boardroom, staff lunchroom, office, bathrooms and a mechanical room. Access to the warehouse is provided by two steel man doors and two 8' x 12' overhead grade loading doors.

Construction Standard:

The building is comprised of two sections. The superstructure of both sections consists of a pre-finished insulated concrete block exterior that is supported by a poured concrete perimeter grade beam. The roof within the front portion is supported by a series of pre-engineered steel trusses with interior support columns. The roofing within the warehouse portion is supported with a series of structural steel support beams and interior columns with a similar steel key deck. The roof reportedly consists of a 2 ply SBS roof system installed in 2017 (roof was no inspected, invoice and photo where provided).

Interior Details:

Interior finishing within the retail portion of the building consists of vinyl tile flooring, suspended overhead fluorescent lighting and the exposed ceiling has a painted finish. Sealed windows span the south elevation. The warehouse portion includes exposed concrete floors, build-outs including office, kitchen and boardroom are finished with vinyl plank flooring, drywall walls and t-bar ceiling with florescent lighting.

Mechanical Equipment:

Heating and cooling is supplied rooftop HVAC units. Power is reported to be 400 Amp. Domestic hot water is supplied by a natural gas fired hot water tank.

Overhead Doors

Two 8' x 12' overhead grade loading doors located on the west side of the building.

Site Improvements:

The building itself is positioned within the northeast portions of the site and there is an abundance of paved asphalt parking located to the west and south of the structure. A landscaping strip surrounds all parking and building areas.

Site improvements include landscaping strip along the perimeter of the site, a concrete apron and concrete sidewalks and a paved asphalt parking area to the west and south of the building. There are over 70 parking stalls available and there is access off of Stony Plain Road service road to the south and 175th Street to the west.

Condition/ Summary: Based on the inspection completed on the effective date of this appraisal, the improvements are functional for their intended use as a retail/industrial complex.

Interior finishing is to a level expected of a retail/warehouse facility with an average quality finished retail, office and warehouse. According to city assessment the building was built in 1979 and has an actual age of 43 years. With regularly scheduled repairs and maintenance, the subject improvements will have a remaining economic life of ±30 years or more.

Appraiser's Limitations: The appraiser(s) is not a foundation, structural, or roofing expert. The foundation, superstructure, and roofing components of the subject property were not inspected for this appraisal in any significant manner. They are assumed to be in good condition for the purposes of this report. A qualified building inspector is recommended to determine the true condition of these building components. Any significant foundation, superstructure, or roofing deficiencies would imply a deduction from the appraised value determined herein. It is noted that the decrease in value, if any, may be greater than the simple cost to remedy.

The appraiser(s) is not a mechanical/electrical systems expert. All building systems, including water, HVAC, sewer, electrical, alarm, and all other mechanical operating components of the property are assumed to be in good condition for the purposes of this report. A mechanical systems inspector is recommended to determine the true condition of these building components. Any mechanical/electrical deficiencies would imply a deduction from the appraised value determined herein. This decrease in value may be greater than the simple cost to remedy.

Highest and Best Use

Highest and Best Use is defined as "that use which, at the time of the appraisal is most likely to produce the greatest net return in money or amenities over a given period of time."

A parcel or real estate is always valued in terms of its Highest and Best Use. That is to say, it is valued as if vacant and available to be put into its Highest and Best Use. Highest and Best Use is that reasonable and probable use that will support the highest present value, as of the effective date of the appraisal. Alternatively, that use is from reasonable, probably and legal alternative uses, found to be physically possible, appropriately supported, financially feasible and which results in highest land value.

When determining the Highest and Best Use of a property (as if vacant and as improved), consideration must be given to the following criteria.

a) **Legally Permissible** – zoning, building codes, environmental regulations, statutory overlay plans, and neighborhood development regulations must all be examined.
b) **Physically Possible** – size, area, topography, shape, utility services, access, and must all be examined.
c) **Financially Feasible** – after the first two criteria are met, uses that produce an adequate rate of return and are considered to be financially feasible.
d) **Maximizes Productivity** – uses that provide the highest value represent the highest and best use.

Effect on Value of an Assemblage
Given the improvements, surrounding uses, size and shape of the site, assemblage is not considered to represent the Highest and Best Use.

Effect on Value of Subdivision of the Subject Property
Considering the size of the ±1.34 acre subject site and that it is fully serviced; further subdivision would be unlikely.

Effect on Value of Anticipated Public or Private Improvements
There is no anticipated effect on value from any anticipated public or private improvements.

Effect on Value of Personal Property
This report estimates the market value of the real estate only. There is no current personal property that would influence the value of the subject property, which are relevant to this assignment.

Consideration of Rezoning the Subject Property
The subject property is zoned IB – Industrial Business Zone. The purpose of this Zone is to provide for industrial businesses that carry out their operations such that no nuisance is created or apparent outside an enclosed building and such that the Zone is compatible with any adjacent non-industrial Zone, and to accommodate limited, compatible non-industrial

businesses. This Zone should normally be located on the periphery of industrial areas and adjacent to arterial or major collector roadways. As such, no consideration has been given to rezoning of the subject property as the current zoning is consistent with the Highest and Best Use.

With respect to the subject property:

- The subject site is zoned for industrial business use within a Major Commercial Corridors Overlay area;
- The subject neighbourhood is commercial and industrial in nature;
- The subject site is surrounded by commercial and industrial uses;
- The subject improvements have significant remaining economic life;
- Site size is sufficient for a single-tenant commercial/industrial development;
- Access and servicing are conducive for a commercial industrial development; and
- Commercial development is deemed feasible and maximally productive;

The Highest and Best Use of the subject property is concluded to be the existing commercial industrial complex. As if vacant, the Highest and Best Use of the site would also be for a commercial /business industrial development, which would adhere to the current zoning.

VALUATION PROCEDURES

VALUATION PROCEDURES

Within the appraisal process, three techniques are typically employed in the valuation of real estate, which consist of the:

- **Cost Approach**
- **Income Approach**
- **Direct Comparison Approach**

Depending on the type of property appraised, all three approaches are not necessarily utilized. The appraisal process involves the estimate of a current market value for the property in question. Traditionally, the specific procedures within the three approaches to value are applied to derive indications of real property value. These approaches are defined as follows:

Income Approach
A set of procedures through which an appraiser derives a value indication for an income-producing property by converting its anticipated benefits (cash flows and reversions) into property value. This conversion can be accomplished in various ways. A common method is the Direct Capitalization method. This method applies where one year's income expectancy can be capitalized at a market derived capitalization rate or at a capitalization rate that reflects a specified income pattern, return on investment, and change in the value of the investment. Alternately, another method is where the annual cash flows for the holding period and the reversion can be discounted at a specified yield rate. Other methods of income valuation such as the Gross Income Multiplier could also be completed.

Direct Comparison Approach
A set of procedures in which a value indication is derived by comparing the property being appraised to similar properties that have been sold recently, applying appropriate units of comparison, and making adjustments to the sale prices of the comparables based on the elements of comparison. The direct comparison approach may be used to value improved properties, vacant land, or land being considered as though vacant; it is the most common and preferred method of land valuation when comparable sales data are available.

Cost Approach
A set of procedures through which a value indication is derived or the fee simple interest in a property by estimating the current cost to construct a reproduction of, or replacement for, the existing structure; deducting accrued depreciation from the reproduction or replacement cost; and adding the estimated land value plus an entrepreneurial profit. Adjustments may then be made to the indicated fee simple value of the property to reflect the value of the property interest being appraised.

Valuation Approaches for the Subject Property

The preceding approaches are interrelated and each requires the gathering and analysis of sales, cost, and income data that pertain to the property being appraised. One or more of the approaches may not be applicable to a specific assignment or may be less reliable due to the nature of the property, the needs of the client, or the data available.

With respect to the subject property, the subject property will be valued as an investment property whereby the owner leases out subject and the property would be sold to an investor; whereby, The Income Approach will be employed.

As further support to the Income Approach, The Direct Comparison Approach has been applied in the valuation of the subject property. This is the approach considered provides an estimation of market value for similar properties of this type, as though sold to individual purchasers and end users. The Direct Comparison Approach as completed herein does not take into consideration the economic performance of the property.

It is evident in the current marketplace that similar properties are not being acquired based on depreciated replacement cost. As such, a Cost Approach has not been carried out here-in. Following is the Income Approach to Value.

INCOME APPROACH TO VALUE

This approach is based on the premise that properties are purchased on the income producing potential of the development. Methods of valuation that can be employed within this approach consist of Direct Capitalization, The Gross Income Multiplier Technique, Mortgage Equity, and Discounted Cash Flow. All of these methods require an analysis to determine the stabilized net operating income of the property. We have conducted our Income Analysis of the subject property using the Direct Capitalization Method and Gross Income Multiplier.

DIRECT CAPITALIZATION METHOD

There are a number of steps required in arriving at a value based on the Direct Capitalization Method, which are summarized as follows.

1. Estimate the total annual gross income of the property less future vacancies and bad debts;
2. Estimate the total annual non-recoverable operating expenses;
3. Calculate the annual net operating income;
4. Select an appropriate capitalization rate, which is derived from the market; and
5. Using a suitable procedure, convert the annual net operating income into an indication of the capital value of the property.

POTENTIAL GROSS INCOME

The first step required in order to determine a value on the basis of an Income Approach is to estimate the potential income that the subject property is capable of producing. As noted earlier, the subject improvements are fully leased until September of 2028. The pertinent details of the lease in place is summarized in the chart below. The total leasable area is reported to be ±20,397 square feet. Please see the table below for a summary of the lease provided by the owner.

Tenant Name	Size (Sq. Ft.)	Lease End	Lease Rate /Sq. Ft.	Annual Rent
Canadian Tire Real Estate Ltd.	20,397	September 2023	$ 16.25	**$ 331,451**
		September 2028	$ 16.00	**$ 326,352**

MARKET RENT ANALYSIS

In order to determine whether the existing lease rates are market-oriented, we have conducted a rental survey within other commercial properties within the subject area and similar neighborhoods. Prior to presenting lease examples, a brief overview of the commercial retail and office market will be provided, based on national commercial real estate research reports.

The first step required in order to determine a value on the basis of an Income Approach is to estimate the potential gross income that the subject property is capable of producing. The subject improvements are a single tenant property. As such, a market rental survey will be completed in order to ascertain appropriate lease rates to apply. Prior to the market rental survey, market information for central Edmonton will be provided.

Market Lease Examples

Located at 10004 167 Street is a multi-tenant complex, that has two bays listed for lease by Colliers. The unit sizes are 2,450 square feet. The unit is a partial build-out and is listed for $16.50 per square foot.

Situated at 10235 180 Street in Morin Industrial is a industrial bay listed for lease by Remax. It includes 10,700 square foot warehouse with 2,000 square foot office listed for $12 per square foot plus $5.75 per square foot operating costs.

Located at 10516 184 Street, is a 5,653 square foot main floor industrial space, listed for $14.75 per square foot (partial build-out). 26' ceilings and 10 exterior dock doors, built in 2020.

Located at 17640 102 Avenue is a 5,340 square foot space with showroom, warehouse and office listed for lease by Lizotte. 20' ceiling height, 1 12' x 14' grade loading dock. The space is listed for $14.50 per square foot and operating costs are estimated at $5.50 per square foot.

Situated at 10534/44 – 106 Street, north of MacEwan University, is a 3,287 square foot main floor office/warehouse bay listed for lease by NAI Commercial. The bay is listed for $10.50 per square foot on a net basis, with operating costs estimated at $8.23 per square foot. The bay is demised into front office and rear shop.

Located at 17210 103 Avenue is a 15,000 square foot flex space listed for lease by NAI Commercial with front showroom with offices and rear warehouse. 16' ceiling height and 3 drive-in bays, fully paved parking and yard. The space is listed for $12.75 per square foot.

Situated near the intersection of 97 Street and 103A Avenue is a 2,631 square foot retail bay that was leased with a commencement date of April 2021 for a 5-year term. The main floor tenant leased the space for $18 per square foot on a triple net basis. It is noted that the space will be renovated. It was reported that a 15,589 square foot industrial complex located at 4204 – 76 Avenue was leased with a commencement date of June 2021 for a 5-year term. The lease agreement commences at a unit rate of $9.50 per square foot for the first 2 years, $10.50 per square foot for the next 2 years, and $11.50 per square foot the final year of the agreement. The improvements are situated on a 0.95-acre parcel.

A 6,350 square foot single tenant building with frontage onto 48 Street and 92 Avenue in southeast Edmonton was leased with a commencement date of June 2019 for a 5 year term. The lease agreement commenced at a unit rate of $13.50 per square foot for years 1 – 3 and escalates to $14.50 per square foot for years 4 – 5. The lease agreement included 3 months free rent and a $6 per square foot tenant improvement allowance. The improvements are demised into 1,850 square feet of main floor office and 4,500 square feet of shop space and the yard is accessible from two access points from two main streets.

Situated at 9520 – 51 Avenue is a 13,716 square foot industrial complex that was subleased in February 2020 for $16 per square foot on a triple net basis. The sublease is reported to expire on October 31, 2022. The 1988 built improvements are situated on a 2.48-acres, reflecting a site coverage ratio of 13%. The front elevation has extensive commercial glazing/glass and the site has frontage along 51 Avenue.

Situated at 8108 – Coronet Road is a 10,898 square foot industrial complex that was leased in April 2020 for a 5-year term at a unit rate of $8.75 per square foot on a triple net basis. The 1959 built complex is situated on a 0.66-acre parcel, reflecting a site coverage ratio of 38%. There is approximately 11,500 square feet of fenced and gated yard area. The shop portion has a 13'6" clearance height along with 5 grade loading doors. The property is located along Coronet Road, one property south of Argyll Road.

Situated at 11363 – 153 Street is a 2014 built industrial property that was leased in September 2019 for a 4-year term at an average unit rate of $12.75 per square foot during the escalating lease. The 13,000 square foot building is demised into 2,500 square feet of office space and 10,500 of shop space. The improvements are situated on a 0.92-acre parcel, reflecting a site coverage ratio of 32%. The site contains asphalt paved parking and compacted gravel yard.

The writer is aware of the most recent lease to occur on a Staples complex was in Q1 of 2022 within The Currents of Windermere. Approximately 20,500 square feet was leased at $23.00 per square foot for a term of five years.

A recent larger big box style development in South Edmonton Common has been leased to Homesense. The 32,000 square foot complex was leased in October 2019 for $21.25 per square foot. The landlord provided a TI allowance of $30 per square foot and there was a rental escalation in year 5 of the 10-year deal to $23.25 per square foot. The landlord also provided 3 five-year renewal options at market rates.

Another recent South Edmonton Common lease was completed on the Ashley Furniture space located at 1430-99 Street. The 27,952 square feet of bog box retail was leased at $22 per square foot in June 2020, which increases to $24.25 per square foot in June 2025. A TI allowance of $17.50 per square foot was provided.

Approximately 25,000 square feet was leased to Winners within the Harvest Pointe Shopping Centre. The lease commenced in March 2021 for $19 per square foot for the first 5 years and $20 per square foot for the second 5 years of the 10-year term. The writer is also aware of a 10,250 square foot complex within this development which was leased in late 2020 at $22 for the first 5 years of a 10 year term.

Lease Summary Conclusion

The subject property is assumed leased as reported and located along an arterial roadway (Stony Plain Road). Considering the age and condition of the subject improvements, location, and other factors, the current rates being achieved are considered to be within market norms. It was noted that the owner was reported to negotiate the slightly lower rate to extend the lease past September 2023. Further, it is reported that there are ongoing negotiations for two 5 year lease options to renew at higher rates. The total potential gross income for the subject property can be seen in the chart below.

Tenant Name	Size (Sq. Ft.)	Lease End	Lease Rate /Sq. Ft.	Annual Rent
Canadian Tire Real Estate Ltd.	20,397	September 2023	$ 16.25	**$ 331,451**
		September 2028	$ 16.00	**$ 326,352**

Potential Gross Income

As per the terms of the lease, the subject property has a potential gross income of $331,451 for the current tenancy;

Vacancy and Collection Costs

Consultations with realtors, developers and representatives from institutional investors revealed that a vacancy and bad debt allowance of anywhere from 3% to as high as 8% is evident in today's market. Clearly the level of vacancy and bad debt allowance relates to the financial covenant and length of the individual lease(s).

Considering the location and the leases in place, a vacancy and bad debt allowance of 5% will be utilized for the subject property.

Operating Expenses

The rental rate which has been projected for the subject property is on an absolute net basis whereby the tenant would be responsible for all operating expenses. The only expense that would be attributable to the landlord would be for structural repairs and maintenance. Considering the newer age and construction quality of the subject improvements and for the purpose of this report, a 2% allowance will be deducted for structural repairs and maintenance.

Pro Forma Operating Statement

Based on the preceding discussion of revenue, vacancy, and operating expenses, we have projected the net operating income for the subject property. This is presented in the following Pro Forma Operating Statement.

Potential Gross Income				
20,397 sq. ft. @	$16.25	/sq. ft.	$	331,451
Less Vacancy and Collection Loss	@	5%	-$	16,573
Effective Gross Income			$	314,879
Less Expenses				
Structural Repairs and Maintenance	@	2%	-$	6,298
Projected Net Operating Income			$	308,581
Projected Net Opearting Income Per Sq. Ft.			$	15.13

In conclusion, the Net Operating Income (NOI) of the subject property is estimated to be **$308,581 per annum** which equals a NOI of $15.13 per square foot based on the leasable area of 20,397 square feet. It is noted that the lease rate is reduced slightly after September 2023 and will be adjusted for in the overall capitalization rate.

Direct Capitalization Method

Within the Direct Capitalization Method, the net income stream is capitalized by dividing the appropriate discount rate into the annual net income. The discount or capitalization rate is an overall rate that represents the relationship between a property's selling price and its annual net operating income. An overall rate is calculated by dividing the net annual income of a comparable property by its price. The market transactions used to derive this rate are open-market sales of similar, competitive properties with similar income streams representing similar levels of risk as the subject property. The following chart provides comparables of investment sales that are considered similar to the subject property.

COMPARABLE DATA CHART					
	Index No. 1	Index No. 2	Index No. 3	Index No. 4	Index No. 5
					
Location:	13304/40 St. Albert Trail	13528/30 Fort Road	5304 36 Street	5020 75 Street	5304 36 Street
Property Type:	Commercial Complex	Commercial Complex	Commercial Complex	Commercial Complex	Commercial Complex
Year Built:	1993	1982	1979	1996	2014
Building Size (Sq. Ft.):	53,700	40,386	23,000	20,798	32,550
Site Size	2.32	5.70	1.54	1.78	1.57
Site Coverage:	53%	16%	34%	27%	48%
Sale Date:	November 2020	May 2021	April 2022	November 2021	January 2021
Sale Price:	$5,325,000	$7,200,000	$3,225,000	$4,100,000	$4,330,000
Net Income:	$431,211	$434,882	$215,823	$237,247	$250,062
Capitalization Rate:	8.10%	6.04%	6.69%	5.79%	5.78%
NOI/Sq. Ft.:	$ 8.03	$ 10.77	$ 9.38	$ 11.41	$ 7.68
Price Per Sq. Ft.	$99	$178	$140	$197	$133
Comments:	Note 1	Note 2	Note 2	Note 4	Note 5

Note 1: 1 storey tilt-up concrete panel construction. Demised into 2 area. Northside 17,600 sq. ft. showroom, 6,200 sq. ft. warehouse/receiving area. Dock loading. 22 ft ceiling height. Southside 20,000 sq. ft. showroom, 9,900 sq. ft. warehouse/receiving. Dock loading. Paved parking (67 stalls). Fully leased after sale to single tenant (The Brick), however 29,645 SF was vacant prior to sale. Built in 1993/1997.

Note 2: 2 buildings. Concrete block construction. 13528, 8,560 sq. ft. showroom/display area, and storage. Grade loading. 14.5 ft ceiling height. 13530 31,826 sq. ft. mostly open retail area, small office and storage. Paved parking. 21% vacant at sale date. Income analysis assumed full occupancy with vacant space leased at market rate.

Note 3: Concrete block construction. 7,000 sq. ft. office (2 levels) demised into reception, open work area, offices, boardroom etc. 16,000 sq. ft. warehouse. Grade loading. 21 ft ceiling height. Bridge cranes. Paved parking. Fully lease at sale date to Nov/25 with option to renew.

Note 4: 2 storey concrete block construction. 16,080 sq. ft. main floor demised into showroom area with service counter, office area, washrooms, parts area and warehouse. 3,998 sq. ft. 2nd floor office area demised into reception, 8 offices, boardroom etc. 2,713 sq. ft. storage mezzanine (not incl. in gross). Grade and dock loading. 22ft ceiling height. 400 amp, 600 volt power. Paved parking and access area. Known as the Amre Supply Building.

Note 5: Metal frame construction. 29,500 sq. ft. main level demised into reception, offices and warehouse. Grade and dock loading. Cranes. Paved parking at front, Fenced paved yard. Fully lease at sale date to a single tenant at an escalating rate. The 3,050 sq. ft. 2nd floor was recently added.

Investment Sales Analysis

The income property sales reflect overall capitalization rates from 5.79% to 8.10%. The range is a result of a number of factors including date of sale, location, market conditions, and most importantly, quality of the investment.

Index No. 1 is located at 13304/40 St. Albert Trail in northwest Edmonton. This commercial complex contains 53,700 square feet demised into showroom and warehouse/receiving. The Index sold in November 2020 for $5,325,000, based on an 8.10% capitalization rate. The complex was built in 1993 and 1997. The Index is newer in age compared to the subject, indicating a longer remaining economic life; however the building was reported to require some maintenance. Prior to the sale, 29,645 square feet was vacant and then later occupied by the existing tenant after the date of sale. Considering the age/condition, occupancy level and other factors, the yield rate of 8.10% is higher than appropriate for the subject property.

Index No. 2 represents the sale of a commercial complex located at 13528/30 Fort Road in the Belvedere neighborhood. This complex was reportedly constructed in 1982. The Index sold in May 2021 for $7,200,000, reflecting a yield rate of 6.04% based on the net income at the date of sale. The Index was 21% vacant at sale date, income analysis assumes full occupancy with vacant space leased at market rate. Consider the quality of tenant, adjusted occupancy level, age of the building and locational factors, as well as the subjects lease, an overall capitalization rate of 6.04% is deemed to be higher than appropriate range for the subject property.

Index No. 3 is a 23,000 square foot complex located at 11550 154 Street in Garside Industrial. The real estate transferred for $3,225,000 in April 2022, reflecting a capitalization rate of 6.69%. This complex was constructed in 1979. Fully leased at the date of sale to November 2025 with 5-year option to renew. Considering the leases in place, subject tenant, and location an overall capitalization rate of 6.69% is deemed to be higher than appropriate range for the subject property.

Index No. 4, is located in McIntyre Industrial. This complex contains 16,080 square feet of main floor showroom, office and warehouse space with 2nd level office space. The Index sold in November 2021 for $4,100,000, reflecting a capitalization rate of 5.79%. The complex was built in 1996. Overall, the yield rate of 5.79% is within an appropriate yield rate range for the subject property.

The final indication of value is represented by Index No. 5, which is located in Pylypow Industrial. This complex contains 32,550 square feet of reception, offices and warehouse space. The Index sold in January 2021 for $4,330,000, reflecting a capitalization rate of 5.78%. The complex was built in 2014. Overall, the yield rate of 5.78% is within an appropriate yield rate range for the subject property.

MARKET VALUE CONCLUSION

In projecting an overall capitalization rate for the subject property, one must consider the location (arterial road), age/condition of the complex, current leases in place, and other factors. The subject has a single tenant and is leased for 6 years with options to renew. For this reason and others, a capitalization rate of more than 5.50% and less than 6.50% would be projected as appropriate for the subject property. Concluding within this range at an overall capitalization rate of 5.8% is deemed appropriate on this occasion. Capitalizing the projected net income of the subject property provides a value as follows:

PROPERTY VALUE = NET OPERATING INCOME ÷ OVERALL CAPITALIZATION RATE

PROPERTY VALUE = $308,581 ÷ 0.058

PROPERTY VALUE = $5,320,362

ROUNDED TO $5,320,000

In summary, the current market value of the subject complex, as at February 10, 2022, based on the Income Approach is estimated at **$5,320,000.** Please see ***Extraordinary Assumptions and Extraordinary Limiting Conditions.***

DIRECT COMPARISON APPROACH TO VALUE

The Direct Comparison Approach to value analyzes comparable properties based on a NOI per r square foot of building area, which will reflect various factors in its unit price. This method of analysis is utilized in order to identify value for properties, which are purchased primarily by investors. This valuation approach is a common and reliable method of estimating market value for investment properties and offers support to the other approaches to value.

Within the Direct Comparison Approach, the market value is estimated by comparing properties similar to the subject property that have recently been sold, are listed for sale, or are under contract. The major premise of this approach is that the market value of a property is directly related to the prices of comparable, competitive properties. Concepts considered in this approach include the principles of supply and demand, substitution, balance and externalities.

The previous Direct Capitalization chart data in the Income Approach section provided unit price indicators for various multi-family properties, some of which were leased to one tenant. Some of the comparable sales have building sizes and all of the sales have number of units. One must note that there is an adjusted range which will reflect items such as age/condition/remaining life, amount and type of improvements, and quality/quantity and durability of income stream of these properties.

If the price per square foot (or units) of each of the Index Properties is divided by the Net Operating Income per square foot (or units) derived from these Indexes and is applied to the subject's projected net operating income per square foot of $15.13 per square foot, an adjusted unit price range varying from $187 per square foot to $262 per square foot is suggested. It is noted that the sale at the lower end of the range reflected stabilized vacancy, and is lower than appropriate for the subject property. From which other factors will also be adjusted for. The formula to derive the Adjusted Unit Price Based on the Subject's and Index's Net Operating Income can be seen below:

Adjusted NOI/Sq. Ft.

NOI/ Sq. Ft. of Index X Index Price Per Sq. Ft. or Unit = Adjusted Unit Price Based on NOI/Sq. Ft or Unit.

MARKET DATA

When valuing multi-tenant properties with leases in place, an important consideration is the Net Operating Income per unit, which could be per square foot. There is typically a direct correlation to the price per square foot or unit and the net rent per square foot or unit which can be obtained for the improvements.

The Adjusted Unit Price indicators to value can be seen in the following chart.

	Index No. 1	Index No. 2	Index No. 3	Index No. 4	Index No. 5
					
Municipal Address:	13304/40 St, Albert Trail	13528/30 Fort Road	11550 154 Street	5020 75 Street	5304 36 Street
Legal Description:	10,11R/12/7520908	Pt 2/B/1641ET	3/25/7820320	Pt A/6822KS	5/20/0628377
Neighborhood:	Bonaventure Industrial	Belvedere	Garside Industrial	McIntyre Industrial	Pylypow Industrial
Property Type:	Commercial Complex	Commercial Complex	Commercial Complex	Commercial Complex	Commercial Complex
Year Built:	1993	1982	1979	1996	2014
Net Rentable Building Size (Sq. Ft.):	53,700	40,386	23,000	20,798	32,550
Site Area (Acres.):	2.32	5.70	1.54	1.78	1.57
Site Coverage Ratio:	53%	16%	34%	27%	48%
Sale Date:	November 2020	May 2021	April 2020	November 2021	January 2021
Sale Price:	$5,325,000	$7,200,000	$3,225,000	$4,100,000	$4,330,000
Net Income:	$431,211	$434,882	$215,823	$237,247	$250,062
Capitalization Rate:	8.10%	6.04%	6.69%	5.79%	5.78%
NOI/Sq. Ft.:	$8.03	$10.77	$9.38	$11.41	$7.68
Price Per Sq. Ft.	$99	$178	$140	$197	$133
Adjusted NOI per Sq. Ft.:	*$187*	*$250*	*$226*	*$261*	*$262*
Comments:	Note 1	Note 2	Note 3	Note 4	Note 5

Note 1: 1 storey tilt-up concrete panel construction. Demised into 2 area. Northside 17,600 sq. ft. showroom, 6,200 sq. ft. warehouse/receiving area. Dock loading. 22 ft ceiling height. Southside 20,000 sq .ft. showroom, 9,900 sq. ft. warehouse/receiving. Dock loading. Paved parking (67 stalls). Fully leased at sale date to single tenant (The Brick). Built in 1993/1997.

Note 2: 2 buildings. Concrete block construction. 13528, 8,560 sq .ft. showroom/display area, and storage. Grade loading. 14.5 ft ceiling height. 13530 31,826 sq. ft. mostly open retail area, small office and storage. Paved parking. 21% vacant at sale date. Income analysis assumed full occupancy with vacant space leased at market rate.

Note 3: Concrete block construction. 7,000 sq. ft. office (2 levels) demised into reception, open work area, offices, boardroom etc. 16,000 sq. ft. warehouse. Grade loading. 21 ft ceiling height. Bridge cranes. Paved parking. Fully lease at sale date to Nov/25 with option to renew.

Note 4: 2 storey concrete block construction. 16,080 sq. ft. main floor demised into showroom area with service counter, office area, washrooms, parts area and warehouse. 3,998 sq. ft. 2nd floor office area demised into reception, 8 offices, boardroom etc. 2,713 sq. ft. storage mezzanine (not inlc. in gross). Grade and dock loading. 22ft ceiling height. 400 amp, 600 volt power. Paved parking and access area. Known as the Amre Supply Building.

Note 5: Metal frame construction. 29,500 sq. ft. main level demised into reception, offices and warehouse. Grade and dock loading. Cranes. Paved parking at front, Fenced paved yard. Fully lease at sale date to a single tenant at an escalating rate. The 3,050 sq. ft. 2nd floor was recently added.

INDEX PROPERTIES

The Index Properties from the Income Approach chart provide an unadjusted range in unit prices from $99 per square foot to $197 per square foot of leasable area and an income adjusted range of $187 per square foot to $261 per square foot. The range in unit prices is the result of a number of factors including, but not limited to location, quality and condition of improvements, property amenities, age, site coverage, configuration, location, etc. These and other factors have been considered when valuing the subject property. The comparable properties have site coverage's ranging from ±16% to ±53%, based on leasable area. The subject complex is developed to a site coverage ratio of ±35%, based on leasable area. The indicators have an NOI per square foot of a stabilized income of $8.03 per square foot to $11.41 per square foot. In comparison, the subject property has a NOI per square foot of $15.13.

Index No. 1 is situated at 13304/40 St. Albert Trail in Bonaventure Industrial. This 53.700 square foot, complex sold in November 2020 for $5,325,000, reflecting a unit price of $99 per square foot and an income adjusted unit price of $187 per square foot. The multi-tenant Index was built in 1993. The improvements are situated on a 2.32 acre site, reflecting a site coverage ratio of 53%. One must consider the high vacancy at the time of sale before the existing tenant leased the rest of the building and the roof work required. Overall, the unit rate of $187 per square foot is considered to be lower than appropriate for the subject property.

The property described as Index No. 2 represents a May 2021 sale of a complex located at 13528/30 Fort Road in the Belvedere neighborhood. This 40,386 square foot complex sold for $7,200,000, reflecting a unit price of $178 per square foot and an income adjusted unit price of $250 per square foot (based on full occupancy). The property was built in 1982. The Index has a lower site coverage ratio and is based on stabilized income. Overall, the unit rate of $250 per square foot is considered to be within an appropriate range for the subject property.

Index No. 3 represents the sale of a complex located at 11550 154 Street in Garside Industrial. The real estate transferred at $3,225,000 in April 2022, reflecting a unit price of $140 per square foot and an income adjusted unit price of $226 per square foot. The complex was built in 1979, and fully leased at the date of sale. Overall, the unit rate of $226 per square foot is considered to be lower than appropriate for the subject property.

Index No. 4, is located at 5020 75 Street in McIntyre Industrial. This 20,798 square foot, complex built in 1996, reflects a site coverage ratio of 27%. The Index sold in November 2021 for $4,100,000, reflecting a unit price of $197 per square foot and an income adjusted unit price of $261 per square foot. Overall, the unit rate of $261 per square foot is considered to be within an appropriate range for the subject property.

The final indication of value is represented by Index No. 5, which is located at 5304 36 Street in Pylypow Industrial. This 32,550 square foot, complex built in 2014, reflects a site coverage ratio of 48%. The Index sold in January 2021 for $4,330,000, reflecting a unit price of $133 per square foot and an income adjusted unit price of $262 per square foot. Overall, the unit rate of $262 per square foot is considered to be within an appropriate range for the subject property.

SUMMARY AND CONCLUSION

The preceding comparables reflect a range in adjusted unit prices varying from $187 per square foot for an income stabilized commercial property to $262 per square foot. In projecting a unit price for the subject property, consideration must be given to the age, condition, construction quality, site coverage/parking, amenities, level of interior improvement, location, and other factors.

Considering the analysis above and based on the analysis of the comparable market data as well as other factors such as the financial covenant of the subject tenant, a unit price in the range of more than $245 per square foot but less than $265 per square foot based on leasable area for the subject property. Concluding within the range at a unit price of $255 per square foot is deemed appropriate on this occasion.

Concluding at this unit rate results in a calculation as follows:

PROPERTY VALUE = RENTABLE BUILDING AREA X UNIT PRICE PER SQ. FT.

PROPERTY VALUE = 20,397 SQ. FT. X 255 PER SQ. FT.

PROPERTY VALUE = $5,201,235

ROUNDED TO $5,200,000

In summary, the current market value of the subject property as at July 13, 2022, based on the Direct Comparison Approach, and ***Extraordinary Assumptions and Extraordinary Limiting Conditions***, is estimated at **$5,200,000**.