

THIS AGREEMENT dated this 13th day of January, 1997

BETWEEN:

THE CORPORATION OF THE TOWN OF
PELHAM

Hereinafter referred to as the "Landlord"

-and-

THE PELHAM HYDRO ELECTRIC COMMISSION
Hereinafter referred to as the "Tenant"

WHEREAS the Landlord and the Tenant have agreed to enter into a lease for Units 1, 2, 5 and 6 of the building municipally known as 33 Park Lane as shown on Schedule "A" attached hereto, hereinafter referred to as "The Leased Premises", in order to allow the tenants to provide storage for parts and equipment required to maintain a supply of electricity to its customers;

NOW THEREFORE THIS AGREEMENT WITNESSETH that in consideration of the mutual rents, covenants and obligations stipulated herein the parties covenant and agree to as follows:

1. GRANT OF LEASE

- 1.1 The Landlord leases the Leased Premises to the Tenants:
- at the Rent set forth in section 3;
 - for the Term set out in section 2,
 - subject to the conditions and in accordance with the covenants, obligations and agreements herein.

2. TERM AND POSSESSION

2.1 The Tenant shall, subject to any earlier termination of this lease, have possession of the Leased Premises for a period of six years, commencing from the first day of January, 1997 and ending on the 31st day of December, 2002 (the "Term").

2.2 The parties agree that in the event that the Tenant are not in default pursuant to this lease, the Tenant shall have the option to attempt to negotiate a lease of the Leased Premises beyond the Term upon terms and conditions which are acceptable to all parties.

2.3 Subject to the Landlord's rights under this lease, and as long as the lease is in good standing, the Landlord covenants that the Tenant shall have quiet enjoyment of the Leased Premises during the Term or any renewal thereof without any interruption or disturbance from the Landlord or any other person or persons lawfully claiming from the Landlord.

3. RENT

3.1 Rent means the amount payable by the Tenants to the Landlord pursuant to this section.

3.2 The Tenant covenants to pay the Landlord during the Term the sum of Three Thousand, Three Hundred and Twelve Dollars (\$3,312.00) per annum payable in one installment on or before the 1st day of December in the years 1997 - 2002 inclusive for the lease of Units 1 and 2 of the leased premises as shown on Schedule "A" attached.

The Tenant shall, in recognition of a capital contribution towards the original cost of construction, not pay any rent for the use of Units 5 and 6 of the Leased Premises as shown on Schedule "A" attached.

3.3 The Tenant acknowledges and agrees that the payments of Rent provided for in this lease shall be made without any deduction for any reason whatsoever unless expressly allowed by the terms of the lease or agreed to by the Landlord, in writing, and no partial payment by the Tenant which is accepted by the Landlord shall be considered as other than a partial payment on account of rent owing and shall not prejudice the Landlord's rights to recover any rent owing.

4. UTILITIES

4.1 The Tenant covenants to pay all hydro bills for the use of electricity for Units 1, 2, 5 and 6 of the Leased Premises as shown on Shedule "A attached.

5. PAYMENT IN LIEU OF TAXES

5.1 The Tenant covenants to pay any and all rates, taxes, etc. that may be levied against the portion of the lands and premises leased to the Tenant by the Landlord under the laws of the Province of Ontario and such levies shall be paid when rendered.

6. ASSIGNMENT

6.1 The Tenant shall not be permitted to assign this lease or sublet the whole or any part of the Leased Premises without the prior written consent of the Landlord.

7. USE

7.1 The Tenant shall not do or permit to be done at the Leased Premises anything which may:

- a. constitute a nuisance;
- b. cause damage to the Leased Premises;
- c. cause injury or annoyance to occupants of neighbouring premises;
- d. make void or voidable any insurance on the Leased Premises;
- e. constitute a breach of any by-law, statute, order or regulation of any municipal, provincial or any other competent authority relating to the Leased Premises.

7.2 The Tenant covenants that during the term it shall, at its own expense, maintain the premises in an acceptable state of cleanliness and repair. Any damage save and except reasonable wear and tear, caused by wilful or negligent conduct of staff or agents of the Tenant will be repaired by the Tenant. The Tenant further covenants to regularly dispose of all garbage, waste material and other rubbish which accumulates in and around the Leased Premises and in connection with the operation of the Tenant.

7.3 Upon the expiry of the Term, or any earlier termination of this lease, the Tenant agrees peaceably to surrender the Leased premises, including any alterations or additions made thereto, to the Landlord in a state of good repair, reasonable wear and tear and damage by fire, lightning and storm only excepted.

7.4 The Tenant shall immediately give written notice to the Landlord of any substantial damage that occurs to the Leased Premises from any cause.

8. ALTERATIONS AND ADDITIONS

8.1 If the Tenant, during the term, desires to make any alterations or additions to the Leased premises, including but not limited to, erecting partitions, attaching equipment and installing additional equipment, the Tenant may do so at its own expense at any time and from time to time if the following conditions are met:

- a. before undertaking any alteration or addition the Tenant shall submit to the Landlord a plan showing the proposed alterations or additions and the Tenant shall not proceed to make any alterations unless the Landlord has approved the plan; and

- b. any and all alterations or additions to the Leased Premises made by the Tenant must comply with all applicable building code standards and by-laws of the Landlord and any other competent authority.

8.2 All alterations and additions done to the Leased Premises made by or on behalf of the Tenant shall immediately become the property of the Landlord without compensation to the Tenant.

8.3 The Tenant agrees, at its own expense, by whatever means may be necessary, immediately to obtain the release or discharge of any encumbrance that may be registered against the Landlord's property in connection with any additions or alterations to the Leased Premises made by the Tenant or in connection with any other activities of the Tenant.

8.4 The Tenant shall, at its own expense, if requested by the Landlord, remove any or all additions or improvements made by the Tenant to the Leased premises during the term prior to the termination of the Lease.

9. INSURANCE

9.1 The Tenant shall carry insurance in its own name insuring against risk or damage to the Tenant's property in the Leased Premises caused by fire or other perils.

9.2 The Tenant shall carry public liability and property damage insurance in which the Landlord shall be a named insured and which said policy shall include a cross liability endorsement. The policy shall be in a minimum amount of One Million Dollars (\$1,000,000.00) and the Tenants shall provide the Landlord with a copy of the policy.

9.3 The Tenant covenants and agrees to indemnify and safe the Landlord harmless against any and all claims, losses, actions, demands, costs, expenses or otherwise arising out of or occasioned by the maintenance, use or occupancy of the Leased Premises.

10. NOTICE

10.1 Any notice required or permitted to be given by one party to the other pursuant to the terms of this lease shall be delivered or mailed by registered mail:

To the Landlord at:
20 Pelham Town Square
P. O. Box 400
Fonthill, Ontario, L0S 1E0

To the Tenant at:
1400 Pelham Street
P. O. Box
Fonthill, Ontario, L0S 1E0

11. MISCELLANEOUS

11.1 This agreement constitutes the entire agreement between the parties hereto pertaining to the subject matter hereof and there are no other written or verbal agreements or representations between the parties hereto pertaining to the subject matter hereof. Any amendments to this agreement shall be in writing, signed by both parties hereof.

11.2 If any term, clause or provision of this agreement shall be adjudged to be invalid, the validity of any other term, clause, or provision shall not be affected, and such invalid term, clause or provision shall be deleted from this agreement.

11.3 This agreement shall be governed by and construed in accordance with the laws of the Province of Ontario.

11.4 This agreement shall enure to the benefit of and be binding upon the parties hereto and their respective heirs, executors and administrators, successors, transferees, and permitted assigns, it being specifically understood and agreed that the Tenant shall not assign this agreement without the consent, in writing, of the Landlord.

IN WITNESS WHEREOF the Corporation of the Town of Pelham and the Pelham Hydro Electric Commission have hereunto affixed their corporate seals attested by their proper officers duly authorized in that behalf.

SIGNED, SEALED AND DELIVERED
in the presence of

)THE CORPORATION OF

) THE TOWN OF PELHAM

)

) *B. Brown*

)MAYOR

)

) *Mary Lockett*

) CLERK

)

)

) THE PELHAM HYDRO

) ELECTRIC COMMISSION

)

) *E. S. Bergenstein*

) CHAIRMAN

)

) *William P. Lee*

) SECRETARY