

## Partnerships

PBDF has entered into numerous partnerships in order to generate store awareness and stimulate sales.

A key partnership that PBDF has developed over the years is with Diageo, the largest liquor company in the world. Diageo has asked PBDF to participate in an exclusive global travel retail program. PBDF is the only Canadian land border duty free operator to be chosen by Diageo to participate in this initiative. This ongoing program involves special promotional displays, new branded fixtures, specialized training, targeted pricing promotions, external media and online campaigns, etc.

PBDF has established promotional based partnerships linked to Darien Lake Amusement Park, Kissing Bridge Ski Resort, Buffalo Bisons Baseball, Erie County Fair, Live Nation, Fantasy Island Amusement Park, etc. PBDF's partnership with these popular points of interest provides discounted tickets and coupon offers to the Store. These partnerships have led to many new customers visiting the Store.

PBDF has an exclusive partnership with the Buffalo Niagara International Airport ("BNIA"). As part of this exclusive agreement, PBDF is officially known as the duty free store of BNIA. Approximately 600,000 Canadians fly out of BNIA annually. PBDF created this partnership to increase the capture and sales of those travelers crossing the border on their way to BNIA. PBDF, as part of its travel services offering, coordinates Stay n Fly packages with hotels near the airport as well as discount parking and provides other Store discounts. PBDF is prominently marketed on the BNIA website and BNIA is featured on PBDF's website.

As the largest seller of beer on the Canada/USA border, PBDF has coordinated a tri-partnership with Budweiser/Labatt and Elite Sports, the number one bus company for sports trips. The purpose of this tri-promotion is to provide added value to the bus customer, generate more beer sales for Budweiser/Labatt and increase total sales for PBDF.

PBDF has a travel service which provides exclusive travel offers to key destinations in the states of New York and Pennsylvania. For example, PBDF offers Canadian customers the opportunity to utilize PBDF's travel service whereby PBDF will make hotel reservations to destinations such as Erie and Grove City, Pennsylvania Shopping Centers, Splash Lagoon Family Getaways, Peak n Peak Ski and Golf packages, Ellicottville promotional packages, etc. Customers not only get free travel services from PBDF but they also get discount coupons for products in the Store and offerings related to the outlet malls. Customers pick up their reservation materials at the Store and this results in increased customer traffic.

## Media and Publications

For 30 years, PBDF has invested significant funds in traditional media venues. These include radio, newsprint, flyers, magazines, publications and television. Depending on the particular day of the week, month or season or the current economic, border or currency situations, PBDF would alternate target markets to Western New York, the Greater Toronto Area, the QEW corridor from Mississauga to Fort Erie as well as the Hamilton and Niagara regions.

PBDF has developed an excellent relationship with the LCBO and is one of their largest land border duty free customers. PBDF promotes its offering in the LCBO Food and Drink magazine, which has a distribution of over 500,000. The purpose of this promotional initiative is to create awareness for the Store, to highlight the savings to customers by shopping duty free and to promote exclusive products available only in the Store.





PBDF has launched a **proprietary** and **exclusive** "Freeway" magazine specifically developed to target potential duty free customers. Distribution of this magazine is done through LCBO stores and is a result of the unique relationship that PBDF has developed with the LCBO over the years. In addition, 50,000 copies of this magazine are distributed through Buffalo News and 10,000 copies are distributed through the Grimsby Travel Centre. This magazine promotes key products and is designed to stimulate sales into the Store.



PBDF has entered into key contracts for strategic billboard placements. PBDF strategically uses billboard signage located along major highways to direct vehicular traffic to the Peace Bridge Plaza. This signage has proven to be effective at creating awareness, to showcase specific product offers and to highlight that Tim Horton's and McDonald's are located in the Store. The Tim Horton's and McDonald's brands have proven to be high traffic generators.

### In-store Promotional Areas

In-store promotional areas are important because they are utilized to showcase new product launches and to stimulate sales. Many of the in-store promotions are done in partnership with PBDF's key Brand partners.

PBDF has developed a seasonal marketing calendar that highlights promotions based on the month, holidays and the events on both sides of the border. Promotions are strategically planned with billboards, signage and displays in store based on the time of year. For example during May, promotions are run on both sides of the border for the start of summer for the Canadian and American long weekends. Special events such as Buffalo Bills, Buffalo Sabres and Buffalo Bison games are promoted with discount ticket, merchandise and product offers during their specific seasons. During the holidays, PBDF runs a very unique marketing campaign to encourage Americans to do their holiday shopping at PBDF during their lunch hours with a Let US Pay Your Toll reward for coming to shop during this time.



An example of a successful in-store promotion was one which involved celebrity **Dan Ackroyd**, who is brand owner of Crystal Head vodka. He drew over 1000 customers and as a result of his appearance, PBDF set a duty free industry record for one day sales of Crystal Head vodka.

### Digital Marketing

PBDF has developed a **proprietary** and **exclusive** website which has the domain of [www.dutyfree.ca](http://www.dutyfree.ca). This site is used to create awareness for the Store and to highlight key promotions in order to generate sales. The domain [www.dutyfree.ca](http://www.dutyfree.ca) is ranked #1 in the duty free industry by Google and has surpassed 1 million visitors to the site, over 4 million page views and achieved a 28% return rate.

PBDF has purchased strategic digital ad placements on many high traffic websites including The Toronto Star, [buffalonews.com](http://buffalonews.com), Buffalo Niagara International Airport, The Globe and Mail, The Weather Network, Yelp, TripAdvisor, Google, Facebook, Chinese Professional Association and [crossbordershopping.ca](http://crossbordershopping.ca)

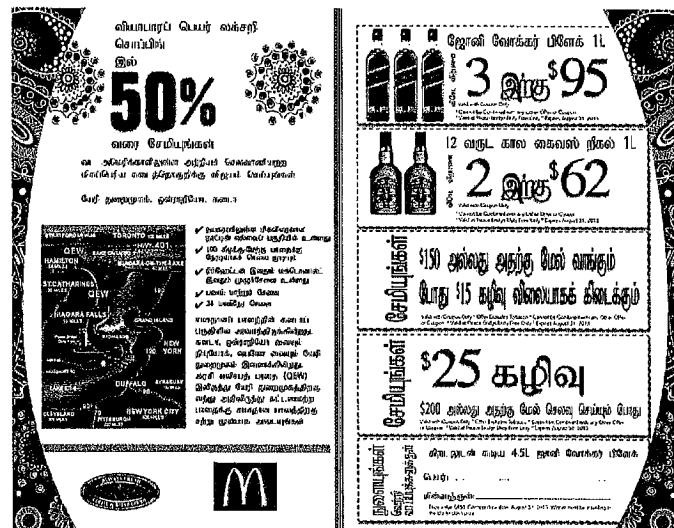


#Found@PBDF is an example of a digital campaign that leveraged Twitter, Facebook, and YouTube to generate social conversation around the brand. The campaign encouraged customers to share the great deals, interesting finds and favourite brands purchases at the Store, on their social networks, using #Found@PBDF. This initiative helped to create positive buzz and consumer advocacy and worked to brand the Store in terms of selection, uniqueness and exclusivity of products.

Another recent example of a digital marketing initiative is one that was conducted in March, 2016. PBDF enacted a heavily targeted online strategy with the Buffalo News and Western New York radio stations' email lists to encourage US audiences to travel to the Store as a destination stop. PBDF offered a "Pay Your Toll" reimbursement and gift cards as incentive offers and created a visual online campaign "This is What 30% more looks like" with a large money pile that visually enforced the additional savings our US customers would receive. The campaign was very successful and achieved 792,000 impressions with approximately 12,000 clicks.

## Ethnic Marketing

PBDF has developed an Ethnic marketing program. PBDF utilizes this type of marketing to target specific groups with more focused and appropriately presented messages with the ultimate goals of generating increased store awareness and to stimulate sales. For example, PBDF utilized this type of marketing to target the almost one million East Indians that live in the Toronto area. Flyers were developed in their native language and distributed to neighborhoods populated by this customer segment. The flyers identified popular products and promoted special offers and pricing. This campaign was extremely successful and generated a noticeable increase in business.



## Experience of Manager and Key Personnel

In 2010, PBDF made changes to its senior management team. Since these changes were implemented, PBDF sales have outperformed traffic by 10%. The current management team has been successful in creating a positive team focused culture to the complete satisfaction of staff.

All of PBDF's management, buying, accounting, marketing, sales and support staff live in the community where the Store is located. The key personnel that will be involved in the development and operation of the Store are indicated below. Their respective resumes are provided at the end of Tab 4.

### Gregory G. O'Hara President and CEO

Greg has been President and CEO of PBDF since 2012 and has been a Director of PBDF since 1993. He has over 30 years of retail experience much of which has been in the duty free industry. In addition to PBDF, Greg is an owner in Hara Enterprises, a venture capital firm. Greg has a Master of Business Administration degree from Miami University, Ohio.

Greg will be the executive liaison with the Authority and will be responsible for leading the PBDF organization.

## **James Pearce**

*General Manager*

Jim has been an employee of PBDF for 24 years and has experience in all aspects of the land border duty free business. He has held several key management positions throughout his career including at the PBDF Currency Exchange and Tourist Information Centre, PBDF retail at the Fort Erie Truck Plaza and duty free operations at Hamilton International Airport. Jim is a Chartered Professional Accountant and a Certified Management Accountant.

Jim will have oversight responsibilities for all aspects of the proposed operation including managing a team of 12 buyers for the various product categories sold at the PB store.

## **Bonnie Gates**

*Marketing Manager*

Bonnie began her career at PBDF in 1997 as a retail floor supervisor. Since 2009, she has been the Marketing Manager at PBDF. She is responsible for the development and implementation of the PBDF marketing program and her efforts have resulted in PBDF receiving numerous marketing awards in recent years. Bonnie has a bachelor degree from the University of New Brunswick.

Bonnie will be responsible for developing and implementing the proposed marketing program and in-store merchandising.

## **Sandy Rienzo**

*Store and Operations Manager*

Sandy has served in various management roles at PBDF for 25 years. Prior to joining PBDF, he held management positions in retail and in the food and beverage industry across Canada and Spain. Sandy attended the Western University - Engineering, Mohawk College - Electronic Technology and Niagara College - Operations Management.

Sandy will be responsible for providing oversight to PBDF full complement of ten supervisors and for effective sales and support of the operations.

## **Other PBDF Support**

PBDF has entered into a consulting agreement with John Menchella, President of Menchella Consulting Group, Inc. John has over 30 years of business experience and has held various senior management positions at many large retail corporations in Canada during his career.

He has an extensive background in business development, marketing, general management and finance. John also has over 15 years of experience in the duty free industry. Prior to founding his own consulting company in 2014, John was Senior Vice President of Business Development and a member of the Executive Management team for one of the world's largest, global duty free organizations, The Nuance Group.

John attained a Bachelor of Business Administration from Wilfrid Laurier University and is a Chartered Professional Accountant and a Certified Management Accountant.

John has provided assistance to PBDF in their RFP response and if PBDF is the Successful Proponent, he will assist in the proposed store development. John will be part of an Advisory Board that will be established by PBDF to oversee the Store operations, be responsible for long range planning and business development initiatives.



## Experience in Similar Retail Operations

Please see section c above for a description of other similar retail operations. In addition to its land border duty free operation at the Peace Bridge, PBDF has developed and operates a duty free operation at Hamilton International Airport. This operation serves customers traveling to international destinations and has been in existence since 2007.

The landlord contacts that can confirm PBDF's operational experience at these retail operations are:

<p>Ron Rienas <i>General Manager</i> Buffalo and Fort Erie Public Bridge Authority rr@peacebridge.com 905-871-1608</p>	<p>Lauren Yaksich <i>Director, Marketing and Communications</i> John C. Munro Hamilton International Airport lyaksich@flyhamilton.ca 905-679-1999</p>
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## Distinguishing Features

PBDF is an award winning leader in the land border duty free industry since 1986 and has operated one of the largest land border duty free stores in the Americas since 1998. Over that time, it has gained unsurpassed knowledge of the challenges and opportunities of the Peace Bridge Plaza retail environment in which it operates. In recognition of its outstanding performance during the last several years, PBDF has received numerous awards including the prestigious "Platinum Award" bestowed by the Frontier Duty Free Association. This award has been received multiple times by PBDF and is for the distinction of being recognized as the "Best Canadian Land Border Duty Free Store."

PBDF has also been recognized in the duty free industry for its many outstanding marketing and sales programs. It is a multiple winner of industry awards in recognition of its exceptional marketing program including the 2015 "Best Marketing" award. Please see section g of this submission for examples of some of the many marketing and sales programs conducted by PBDF.

PBDF has major key distinguishing features when compared to other similar business. The key distinguishing features are commitment to:

- Investment in Innovative Marketing Initiatives
- Strategic partnerships
- Local Community Involvement

## Investment in Innovative Marketing Initiatives

A key distinguishing feature of PBDF is that it does not rest on its past accomplishments despite having a distinguished record of growing its business significantly from the time it first began operations in 1986.

PBDF prides itself on being an **innovator** in the duty free business and an organization that evolves to meet industry and customer trends in order to maximize sales. Over the years, PBDF has developed and implemented many new innovative marketing initiatives.

PBDF has developed a comprehensive digital marketing strategy in order to promote the Store and to increase sales.

The PBDF domain [www.dutyfree.ca](http://www.dutyfree.ca) is the #1 ranked site for all duty free searches according to

Google and has had over **one million visitors**. PBDF is in the process of developing a state of the art retail website that will further drive customer awareness and stimulate sales. This new website will be launched in the Fall of 2016 just in time for the holiday season. It will feature full product search, pre-order shopping cart features, travel reservation services, PBDF created videos and product information.

The new website will support all social media channels and will attempt to engage consumers of all age demographics. PBDF will have a full digital strategy to leverage these platforms that will include the development of the PBDF YouTube channel. With over 2 billion views a day, YouTube is the second most visited site in the world and an important platform to share short videos with people and an extremely powerful tool to help educate the duty free consumer. PBDF will utilize YouTube by inserting videos into product descriptions which will help grow the PBDF channel and increase awareness about the brands and exclusive products offered at PBDF.

PBDF is also exploring the use of the fastest growing social application Snapchat. Snapchat is an app where you can share a photo or video and allows PBDF to send exclusive content to its followers. Snapchat is an effective way to generate a buzz around a new product launch and highlight duty free exclusive offers. Similar to a response on Facebook or Twitter, PBDF will use Snapchat to send personalized messages and videos to thank customers for their loyalty.

PBDF is also exploring the use of mobile messaging applications to increase capture to the store. Ping Perks is a mobile push messaging service that leverages beacon technology to offer consumers relevant SMS promotions based on shopping behaviors.

### Strategic Partnerships

In order to create awareness and to increase sales at the Store, PBDF has entered in many strategic partnerships over the years and will continue to look for new opportunities in this area in the future.

An important strategic initiative in this regard was to enter into an agreement to have high profile brands **Tim Horton's** and **McDonald's** establish operations within the Store. This initiative is important because it has proven to increase Store customer capture rates and ultimately generate increased duty free sales.

PBDF is currently seeking to enter into a key partnership with DFASS Distribution, LLC, a **DFASS Group** affiliated company ("DFASS"). DFASS, headquartered in Miami, Florida, is an award winning, global leader in duty free and specialty retail operations. DFASS generates \$600 million in annual revenue and has operations on five continents. DFASS is the world's largest in-flight duty free enterprise and also has many land border and international airport duty free operations. Some of the prominent international airports where DFASS has duty free operations include Chicago O'Hare, Dallas/Fort Worth, Fort Lauderdale/Hollywood and Orlando.

DFASS and PBDF intend to enter into a supply/services agreement which will include DFASS supplying PBDF specific product categories and assistance with merchandise planning related services. This relationship is important to PBDF because it provides PBDF access to the DFASS global supply network and economies of scale. It will also allow PBDF to leverage the DFASS global customer database to enhance customer buying preference understanding and this will translate into better targeted product offerings and increased sales.

**The key benefit to the Authority of this partnership will be more revenue through increased sales.**

PBDF continues to team up with many other strategic partners including key Brand Partners such as Diageo, the largest liquor brand owner in the world, in order to promote important duty free products; Destination Partners such as the Buffalo Bisons, Buffalo Sabres, Buffalo Bills and key Tour Bus Operators in order to drive additional customer traffic into the Store.

Most recently, PBDF entered into an agreement with a significant Asian Tour Bus Operator. This is very important because the Asian customer is by far the highest spending nationality in the duty free industry and a customer that buys very high end duty free brands.

**This partnership is expected to result in significant incremental sales growth.**

## Local Community Involvement

PBDF is committed to supporting the local community. It has done so by providing approximately 90 local employment opportunities and by investing significantly in local community programs.

PBDF offers local community staff highly competitive wages and it is considered a major employer in Fort Erie. In addition to competitive wages, PBDF offers comprehensive benefit packages including a health program and a pension plan. Additionally, it provides incentive programs to its employees that recognize and rewards exceptional performance. PBDF strongly believes that this is a key part of its overall compensation program so that its employees are fully aligned with senior management in maximizing sales at the Store.

In recognition of its employment program efforts, PBDF was awarded "2011 Employer of the Year" by the Fort Erie Chamber of Commerce.

PBDF is also an integral part of the community because it employs local contractors, trades, cleaning staff, etc. in the maintenance and operation of its Store.

PBDF is proud to be a major donator and sponsor of many worthwhile programs both in the Niagara Region and Western New York. Some of the local initiatives that PBDF has supported or continues to support local schools and local athletic programs (e.g. Fort Erie Minor Hockey and Baseball), Walker Cancer Foundation, Champ Foundation of Buffalo, Douglas Memorial Hospital, Visitor Convention bureaus, Buffalo/Niagara Partnership, Cystic Fibrosis Fundraiser, Association of Childhood Diabetes and many more worthwhile community programs.



## Identification of Anticipated Potential Problems

As the incumbent duty free operator, PBDF knows best the ongoing challenges and potential problems of operating the land border duty free store at Peace Bridge Plaza in Fort Erie. Some the the current challenges that it deals with includes:

- Fluctuating currency exchange rate related issues
- Enhanced retail competition
- Vehicle traffic issues including a steady decline in volumes
- Customer awareness and traffic perceptions and delays

PBDF knows best how to address these ongoing challenges and prides itself on successfully mitigating these issues by being innovative in its business and by being able to grow sales per vehicle despite these challenges. Examples of how PBDF addresses each of these challenges are contained in the section below.

### i) Currency Exchange Rate Issues

Recently, when the exchange rate dramatically swung in favor of American tourism, PBDF promoted Canada, Toronto and Niagara to US markets through aggressive radio, TV and online campaigns. PBDF used best exchange rate guarantees ("better than the bank") to give the American consumer the confidence that they would receive the maximum benefit for the US dollar at the Store.

In the past, when the Canadian dollar strengthened versus the US dollar, Canadians intensified their cross-border shopping and visits to US destinations. To take advantage of this trend, PBDF partnered with many US based organizations such as Grove City, Kissing Bridge, Darien Lake, Buffalo Bisons, Erie County Fair, Fantasy Island and Buffalo Niagara International Airport, etc. in cross promotions designed to make the Store a stop for Canadians on their way to these locations.

### ii) Retail Competition

PBDF has implemented a very successful sales campaign targeted to Canadian shoppers called "start your cross-border shopping at PBDF". PBDF sourced both different and competitive products from the US, including non-traditional duty free products, adjusted prices to be competitive with the large US retailers, and added the PBDF level of customer service not found at many of the competitive retail stores.

### iii) Vehicle Traffic Issues Including a Steady Decline in Volumes

Since a peak of 3.3 million in Peace Bridge passenger vehicles from Canada to the United States in 2000, there has been a steady decline in this amount. In 2015, traffic declined to 2.1 million. This represents a 38% decline in passenger vehicles utilizing the Peace Bridge since 2000.

PBDF is proud of the fact that despite the significant reduction in passenger vehicles, during the same time period, duty free sales related to to passenger vehicles declined by only 12%, from \$21.0 million of sales in 2000 to \$18.5 million of sales in 2015. This achievement by PBDF was a result of it's many efforts to increase sales per vehicle through many initiatives including promotions, pricing and enhanced customer service. PBDF was able to increase sales per vehicle from \$50.33 in 2000 to \$64.27 in 2015. **This represents an average sales increase of 28% per vehicle.**

**PBDF is proud that despite this significant challenge, sales at the Store have consistently outperformed traffic volume levels as measured by sales per outbound vehicle.**

### iv) Customer Awareness and Traffic Perceptions and Delays

In addition to numerous awareness generating marketing programs discussed earlier in this section, PBDF was successful, due to the great cooperation with the Authority, in creating Duty Free Way. This successful initiative involved the implementation of overhead signage on the QEW which directed travelers onto a dedicated roadway leading into the Store.

In addition, PBDF launched an advertising campaign called Fastest Border Crossing Guarantee. If customers experienced a longer wait time at the Peace Bridge versus any other Regional bridge they received 10% off their purchase.

In 2009, when changes to the US immigration documentation requirements was set to dramatically affect cross-border traffic, PBDF was successful and thrilled to have Erie County Clerk Kathy Hochul visit PBDF to hold a news conference with all media from Canadian and US to help educate people on the new requirements needed to cross the border. With PBDF's assistance, it worked with customers to help them obtain the proper identification. In conjunction with the Authority, PBDF issued toll handouts and organized clinics to sign new NEXUS applicants.



**As evidence by the initiatives above, PBDF has consistently and effectively addressed the many challenges impacting the Store and continues to be proactive in this regard.**

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**Response to Request for Proposal  
Operation of a Duty Free Shop at the Peace Bridge  
Issued by the Buffalo and Fort Erie Public Bridge Authority**

**The Financial Terms Proposal  
May 9, 2016**

**Submitted to:** Buffalo and Fort Erie Public Bridge Authority  
Attn: Kimberlee Kaiser, Executive Assistant  
100 Queen Street  
Fort Erie, Ontario  
L2A 3S6

**Proponent:** Peace Bridge Duty Free Inc.  
1 Peace Bridge Plaza  
Fort Erie, Ontario  
L2A 5N1

**Contact:** Gregory G. O'Hara  
President and Chief Executive Officer  
905-871-5400 ext. 107  
gohara@dutyfree.ca

The attached bid includes confidential business and commercial information pertaining to Peace Bridge Duty Free Inc. Peace Bridge Duty Free Inc. respectfully requests that the contents of the bid not be disclosed to anyone other than employees, officers, directors or evaluation committee members of the Buffalo and Fort Erie Public Bridge Authority.

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## Tab A – Sales Initiatives

Peace Bridge Duty Free Inc. ("PBDF" or "Proponent"), incumbent operator of the Peace Bridge Plaza Land Border Duty Free Store ("Store"), has demonstrated its ability over the years to increase efficiency, customer traffic and sales while maintaining high quality services. This achievement is evidenced by the numerous industry awards that PBDF has received including the "Platinum Award" bestowed by the Frontier Duty Free Association. This award was given in recognition for being "Best Canadian Land Border Duty Free Store."



PBDF has been able to **increase efficiency** by studying customer traffic volumes and patterns and ensuring that it has adequate staffing during peak periods in order to reduce transaction processing wait times. PBDF understands that efficient transaction processing is an important part of the sales process and places a key emphasis in this area. Product placement in the Store is important in order to direct customers to key areas and to increase add on sales as customer approach the point of sale ("POS") counters.

PBDF has been and continues to be proactive in increasing customer capture rates into the store and stimulating sales. Initiatives implemented to increase store traffic and sales include:

### Loyalty Club Program



This is a **proprietary** and **exclusive** program developed and managed by PBDF. This program is designed to stimulate repeat business by offering the Store loyalty club members exclusive offers and targeted communications. Members are given the opportunity to pre-order products, access exclusive limited editions and receive special introductory prices. E-blasts are sent to members on a weekly basis, at a minimum.

PBDF has built the largest Canadian land border duty free loyalty program and has in excess of 60,000 loyalty club members and has a Facebook following of approximately 30,000. PBDF's proprietary data indicates that this program is effective at generating loyalty and program members spend 15% more, on average, than the rest of its customers.

### Brand Partner Promotions

PBDF has created a path-to-purchase route for its brand partners to invest in. This starts with e-blasts and external media advertising, followed by billboard and on-site signage and finishes in-store with promotional areas and offers.

Another example of a brand partner promotion is utilizing a tasting bar that will be set up in the liquor area for customers who wish to try new whisky brands. PBDF will also organize special tasting events with guest speakers and whisky makers for members of the PBDF Whisky Club. These members will get advanced notifications of all new and exclusive products and invitations to special gala events.

### Strategic Alliances with Motor Coach Operators

PBDF has been an active member of the Ontario Motor Coach Association and the American Motor Coach Association for the past 25 years. As a result of these partnerships, PBDF has built very successful relationships to include the Store as a destination on their route crossing the border to the USA.



In the Summer of 2016, PBDF will implement a strategic alliance with an Asian Tour Company which will bring visitors from China to Canada. PBDF will be a dedicated stop on these tours when they return to the United States. This new business is projected to increase stores sales by over \$1 million.

PBDF has invested in creating the most generous bus incentive program on the border. The loyalty that these tour groups show with their partners is very strong and encouraging for PBDF to expand to other Asian tour groups.



In a separate motorcoach initiative, PBDF has partnered with a Southern US based travel company who bring almost 300 buses to Toronto/Niagara every year. PBDF is projecting that it will secure 80% of those buses. PBDF's investment will be in training and compensating staff to act as tour guides that travel with these motor coaches on the Canadian portion of their tour. PBDF staff will assist the tours throughout Niagara and Toronto and direct the buses back through PBDF as they return home. This partnership is projected to add \$600,000 in sales annually. It will also give valuable exposure to other US based tour agencies.

Another partnership has been established with Elite Sports Tours, Ontario's #1 Sport Travel Company, with over 50 bus tours dedicated to PBDF. PBDF introduced Budweiser/Labatt to Elite Sports and combined have created the largest Sports partnership in the duty free industry.

### Other Strategic Alliances

In order to create awareness and to increase sales at the Store, PBDF has entered in many strategic partnerships over the years and will continue to look for new opportunities in this area in the future.

An important strategic initiative in this regard was to enter into an agreement to have high profile brands **Tim Horton's** and **McDonald's** establish operations within the Store. This initiative is important because it has proven to increase Store customer capture rates and ultimately generate increased duty free sales.

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**The key benefit to the Authority of these partnerships will be more revenue through increased sales.**



## Digital Awareness

PBDF is working on several programs that will increase customer awareness through digital technology. For example, if PBDF is the selected Proponent for the Peace Bridge Duty Free concession, as part of the proposed capital program, PBDF will implement exterior digital signage visible from the QEW in order to increase customer traffic into the Store.

## New sales generating initiatives in progress include:

### Website Enhancements

PBDF's proprietary domain [www.dutyfree.ca](http://www.dutyfree.ca) has the distinction of receiving the number 1 ranking from Google for being the most visited duty free website. PBDF's website is being enhanced in order to evolve it into an ecommerce tool. Features of the website will include a product search engine that will highlight the full product portfolio. Additionally, the new website will include a pre-order option for customers to add all their items to a virtual basket and have them ready and waiting when they arrive. This newly enhanced website will be launched in the Fall of 2016.

### Social Media

PBDF is constantly investigating the use of modern digital technologies that can assist in increasing awareness, growing sales and reward customer loyalty. A new, state of the art retail website will support all social media channels and attempt to engage new and old consumers of all age demographics. PBDF will have a full digital strategy to leverage social platforms that will include the development of the PBDF YouTube channel. YouTube's platform will give PBDF the ability to share videos with consumers which will not only educate but grow a loyal database. Videos will be produced by PBDF with support from suppliers and will be integrated into the new website increasing brand awareness.

PBDF will be experimenting with new advertising opportunities by utilizing some of the fastest growing social applications including Snapchat and Instagram. Snapchat is the trendiest social app with the 24-35 demographic which PBDF continues to target. Snapchat offers a personalized experience which PBDF can leverage to build brand awareness.

PBDF is also exploring the use of mobile messaging applications to increase capture to the store. Ping Perks is a mobile push messaging service that leverages beacon technology to offer consumers relevant SMS promotions based on shopping behaviors.



## Maintaining High Quality Services

PBDF is dedicated to maintaining high quality services. As an industry leader, we take pride in our ability to provide a positive lasting impression to our Duty Free customers. PBDF strives to maintain its high standards with a proactive approach to measuring and maintaining customer satisfaction. This is accomplished by the following means:

- Mystery shopper inspections
- Customer surveys for satisfaction and areas for improvement
- Quality Assurance Checklist - A management checklist of exterior and interior operational standards, staff communication to customers, merchandising and customer sales service

- Continual staff training from customer service to product knowledge seminars
- Customer feedback from email and in person is immediately addressed by the Store Manager and reported to Executive Management
- Annual staff reviews with bonuses based on achieving specific customer service criteria
- Frequent interaction between supervisors and staff on new ways to improve the customer experience

The overall goal of PBDF is to ensure that the customer has a great experience when shopping in the Store and leave a lasting, favourable impression of PBDF.

## **Design - Renovations Plan for the Store**

PBDF is excited about the opportunity to invest in a new store as part of a long-term concession contract, and is pleased to be working with SmartDesign Group to see its vision come to fruition.

SmartDesign Group, an award-winning full-service firm, focuses on the creation and development of commercial success through design. Their unique understanding of consumer behaviour and global trends, coupled with creative talent and solid strategic thinking, has helped operators around the world reach and exceed their business goals. SmartDesign Group's extensive experience provides a true understanding of passenger behaviour, and their innovative and creative solutions surprise and delight their customers.

In the proposed new vision for the Peace Bridge store, customer experience is at the forefront, with an improved exterior presence, increased visibility within the interior space, and an improved intergration of the latest technology, plus unique features such as a tasting bar in the liquor section and a makeover station in fragrance and cosmetics. Specifically, technology will be utilized to promote products and provide product knowledge. (i.e. iPads, digital display screens, etc)

The customer experience begins upon approach to the store, with an expanded wood and metal canopy and a landscaped area that greets travellers, offering a new covered area for unloading tour bus passengers in addition to creating a natural congregation point for visitors. Inside the store, an open space provides a natural place for an evolving promotion display. The layout has also been redesigned to enhance flow and to reorganize merchandise categories.

The design allows clear sightlines to the major product categories, with fragrance and cosmetics prominent on the left, liquor on the right, and confection and promotion in the centre. The customer flow is enhanced with differing materials that lead shoppers easily throughout the space, looping back around the liquor section before leading to the POS stations, with tobacco as a nearby final purchase option.

The new layout exposes the entire store, encouraging a strong sense of discovery. High-volume products have been located to drive traffic, and fixtures and displays provide opportunities for browsing and impulse purchases. Previously underutilized warehouse space has been opened up to allow for an additional 1,810 sq.ft. of shopping area and new merchandise opportunities. New ceiling structures bring refinement and warmth to the store and allow for the introduction of accent lighting.

Overall, the store now has a more contemporary look, with a neutral palette that enhances merchandise display. Sustainable options for all proposed materials and finishes have been considered, to convey respect for the environment and to display the relationship with the region and its natural beauty.

Demonstration bars in the fragrance area, a makeover station in cosmetics, a tasting bar in liquor and special promotion areas throughout the store provide both educational and enhanced service opportunities. Dedicated 'shop-in-shop' installations for premium liquor, regional wine and craft beer will offer additional memorable experiences, helping to ensure that this store is must for cross-border shoppers!

At the end of Tab H, you will find a mood board, floor plan, interior rendering, and exterior rendering. These will provide visuals of PBDF's proposed design intentions for the store.

All these design enhancements mentioned above will create an exciting new retail environment in the Store. These enhancements will improve customer flow and product displays, and will result in significantly increased sales.

## Transition

PBDF as the incumbent operator does not require a start up plan, as it will have continuous operations. PBDF plans a complete major renovation of the Store starting in January 2017 and construction is expected to continue for 4 consecutive months.

PBDF is confident in its ability to implement a phased approach to the proposed renovation and upgrade of the current facility. PBDF will rely on the expertise of SmartDesign Group, a leading retail design consultant, with global experience executing duty free construction projects under very tight timelines and constraints.

PBDF can guarantee that there will be continuous service and sales throughout the renovation and with increased signage and awareness combined with knowledgeable staff, customers will not be affected by a phased construction schedule.

**PBDF will deliver continuous operations/sales throughout the renovation of the Store.**



## Proposed Minimum Base Rent, Percentage Rent, Proposed Section 4.03 and Form of Lease

PBDF is pleased to offer the following financial terms (all in Canadian dollars) to the Authority in accordance with the guidelines provided in the RFP (including Appendix G).

### Minimum Base Rent:

PBDF proposes a Minimum Base Rent of \$4,000,000.

### Percentage Rent:

The Annual Percentage Rent proposed is based on the Tenant's Annual Gross Sales, as follows:

Annual Sales			Rent % Applicable to Range of Sales
\$0	up to	\$20,000,000	20
>\$20,000,000	up to	\$25,000,000	22
>\$25,000,000			24

To facilitate monthly payments of the Percentage Rent pursuant to section 4.03 of the Lease, PBDF proposes that Percentage Rent payable in a given month will be calculated on the basis of the Applicable Percentage Rent Rate based on Aggregate Year-to-Date Gross Sales x Tenant's Gross Sales during the month for which Percentage Rent is being calculated.

At the end of each year, there will be a reconciliation to ensure that the Percentage Rent paid on a monthly basis equals the Percentage Rent payable on the basis of the Tenant's Annual Gross Sales.

The tenant's annual gross sales will include sales related to products from the Store, currency exchange revenue and sales of its sub tenants and any other elements defined in the lease.

For clarity, based on \$25,000,000 in Tenant's Annual Gross Sales the Annual Percentage Rent would be \$5,100,000.

### Proposed Section 4.03 (Percentage Rent)

PBDF is pleased to provide a completed section 4.03 (Percentage Rent) in the Form of Lease on the basis of PBDF's financial proposal. Please note that PBDF proposes that the Percentage Rent will be the same for the initial term of the lease and the extension term of the lease. This is reflected in section 4.03 proposed below.

#### 4.03 Percentage Rent

The Tenant covenants and agrees with the Landlord to pay Annual Percentage Rent, as follows:

- The Tenant will pay to the Landlord 20% of the Tenant's Annual Gross Sales that are \$0 up to \$20,000,000
- The Tenant will pay to the Landlord 22% of the Tenant's Annual Gross that are in excess of \$20,000,000 but less than \$25,000,000
- The Tenant will pay to the Landlord 24% of the Tenant's Annual Gross Sales that are equal to or greater than \$25,000,00

To facilitate monthly payments of the Percentage Rent, the Tenant covenants and agrees with the

Landlord that if, during any month (including any broken calendar month) of the Term of the Lease or any Extension Term of the Lease, the Calculated Percentage Rent (which is based on the Tenant's Gross Sales during such monthly period) exceeds the monthly Base Rent for the same monthly period, the Tenant will within twenty-five (25) days following the conclusion of such monthly period, pay the resulting difference between the calculated Percentage Rent and the Base Rent together with all applicable taxes, to the Landlord as Percentage Rent.

The Calculated Percentage Rent is to be calculated as follows: Applicable Percentage Rent Rate x Tenant's Gross Sales during the month for which Percentage Rent is being calculated. The Applicable Percentage Rent Rate is based on the Tenant's Year-to-Date Annual Gross Sales.

At the end of each year, there will be a reconciliation based on the Tenant's audited Annual Gross Sales to ensure that the Tenant pays the higher of the Annual Percentage Rent or Minimum Base Rent.

**Form of Lease:**

PBDF confirms that it does not propose any changes to the Form of Lease.

## Sub Tenancy Arrangements

PBDF currently has a sub tenancy agreement with the Tim Horton's restaurant and McDonald's restaurant which will expire on October 31, 2016.

PBDF proposes to continue with these sub tenancy agreements and has included the projected sales from the Tim Horton's and McDonald's restaurants located within the Store into its Pro forma.

PBDF is currently discussing with Tim Horton's and McDonald's the continuation of these sub tenancy agreements if PBDF becomes the Successful Proponent.



**These sub tenants will increase Store awareness, customer volumes and sales.**



## Forecasted Sales

PBDF's financial projections for this opportunity were developed based on its extensive experience in land border duty free operations and consideration of many factors including reference to its proprietary database to determine what products appeal to key customer demographics, its analysis of the retail environment (i.e. traffic flows, customer volume, store flow and sight lines, etc.) and by soliciting input from key brand partners and duty free industry consultants.

PBDF began its analysis by examining the actual performance metrics of the current Store and the passenger demographics/volumes and associated spending behaviors. In addition to understanding the current situation, PBDF also looked at many new opportunities that would allow for a significantly improved business.

These opportunities include:

- New Merchandise Categories/Brands and optimization and expansion of the retail space.
- Improved proposed retail store design that will make the Store more inviting and increase customer penetration.
- New innovative technology applications, online activities and marketing initiatives.
- Consideration of how future traffic flows, customer volumes and changing demographics would impact store performance.

PBDF used projected proprietary passenger demographic/volume information and coupled it with its understanding of spending by customer segment. This information, in addition to many brand considerations, guided it on its proposed merchandise mix for the Store.

The Store will have appropriate foreign language speaking staff in order to converse with significant customer segments in their language of preference to stimulate sales.

PBDF's estimated spend per customer segment (car, bus and truck customer) is a function of many factors including customer demographics, customer volume, store design, increased retail space, product offerings, marketing initiatives, price, brand/product appeal, operational programs, and dwell time. Annual customer volume growth and associated average transaction value was projected by customer segment.

In Year 1, store downtime due to construction has been factored into the sales estimate. Store downtime due to construction was mitigated by taking a more expensive phased approach to the store development. This additional cost was partially offset by the benefit of continuous sales.

Based on the above, the forecasted sales at the Store including currency exchange revenue and its sub tenants sales during the term of the lease are as follows:

### Forecasted Sales (\$ million)

Year	1	2	3	4	5	6	7	8	9	10
Sales	26.3	29.8	30.5	31.3	32.1	32.9	33.7	34.5	35.4	36.3

Year	11	12	13	14	15	16	17	18	19	20
Sales	37.2	38.1	39.1	40.0	41.0	42.1	43.1	44.2	45.3	46.4

**Tab G - Operating and Capital Cost****Operating Costs:**

Forecasted operating costs were projected based on a combination of PBDF's actual operating cost experience for the land border duty free operation, using 2015 financial results as a baseline, and by adjusting future costs by taking into consideration many key items including projected customer volumes by segment, new capital investment, property tax adjustments due to the new store development, etc.

PBDF projects to spend \$1 million annually on marketing and sales initiatives.

PBDF examined its fixed versus variable cost structure and considered this as it projected its expenses in relation to projected customer volumes and associate sales.

The inflation rate used for expense growth was 3%.

**Capital Investment:**

PBDF's capital projection included several items including new store development, new computer systems, equipment, etc. Details of our capital cost related to the facility/property only are described in more detail in Tab H of this submission.

Below are PBDF's forecasted operating and capital costs during the term of the lease.

**Forecasted Operating and Capital Costs (\$000)**

Year	1	2	3	4	5	6	7	8	9	10
Rent to Authority	5,405	6,246	6,425	6,608	6,796	6,988	7,185	7,388	7,595	7,807
Rent from Subtenant	-178	-201	-206	-211	-217	-222	-228	-233	-239	-245
Rent Cost to PBDF	5,227	6,045	6,219	6,397	6,579	6,766	6,958	7,154	7,355	7,562
Compensation	2,648	2,727	2,809	2,893	2,980	3,069	3,161	3,256	3,354	3,454
Marketing	1,021	1,052	1,083	1,116	1,149	1,184	1,219	1,256	1,293	1,332
Other	1,314	1,444	1,487	1,532	1,578	1,625	1,674	1,724	1,776	1,829
Total Operating Costs	10,210	11,268	11,598	11,938	12,286	12,644	13,012	13,390	13,778	14,177
Capital	7,000					1,250				

Year	11	12	13	14	15	16	17	18	19	20
Rent to Authority	8,025	8,248	8,477	8,711	8,951	9,198	9,450	9,709	9,974	10,246
Rent from Subtenant	-251	-258	-264	-271	-278	-284	-292	-299	-306	-314
Rent Cost to PBDF	7,773	7,990	8,212	8,440	8,674	8,913	9,158	9,410	9,668	9,932
Compensation	3,558	3,665	3,775	3,888	4,005	4,125	4,248	4,376	4,507	4,642
Marketing	1,372	1,413	1,456	1,499	1,544	1,591	1,638	1,688	1,738	1,790
Other	1,884	1,940	1,998	2,058	2,120	2,184	2,249	2,317	2,386	2,458
Total Operating Costs	14,587	15,008	15,441	15,885	16,343	16,813	17,293	17,791	18,299	18,822
Capital	1,250					1,250				

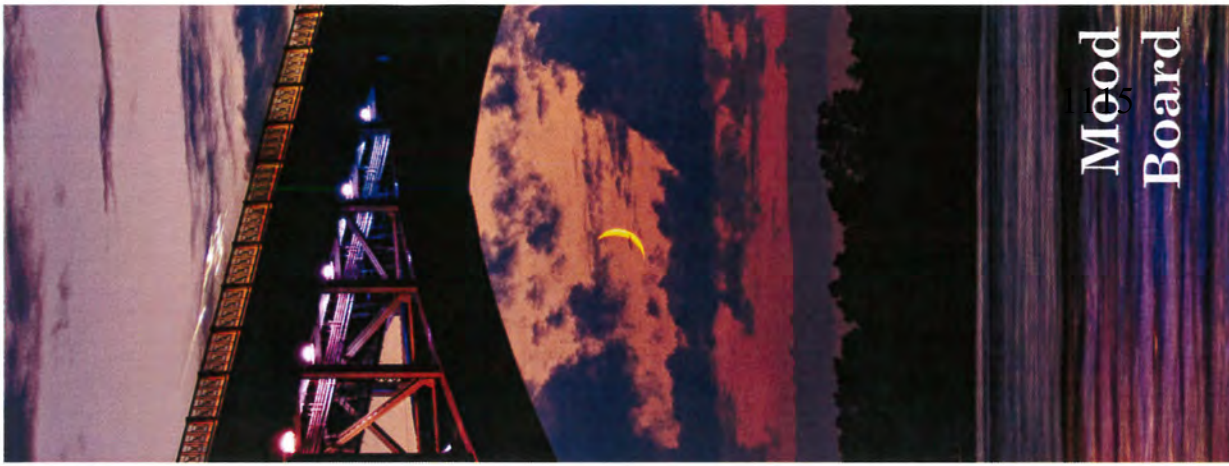


## Capital Investment

Our initial Store Capital Investment is estimated to be \$6,000,000. Below is a breakdown of the key components.

General Construction including millwork/POS	\$ 4,975,000
FF&E (Food Court/Exterior Seating)	125,000
Lighting & Media	300,000
	<hr/>
Subtotal Before Consultant Fees	\$ 5,400,000
	<hr/>
Consultant Fees	600,000
	<hr/>
<b>Total Initial Store Capital Investment</b>	<b><u><u>\$ 6,000,000</u></u></b>

In addition to the initial capital described above, Peace Bridge Duty Free has provided for Refurbishment Capital in years 6, 11, and 16 of this lease. The amount allocated in each refurbishment year is \$1.25 million. The total amount of Store capital investment that PBDF will commit to over the course of the lease is \$9.75 million.











Peace Bridge Duty Free



Exterior  
Rendering





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This is Exhibit “B” referred to in the Affidavit of Jim Pearce sworn  
remotely this 12<sup>th</sup> day of December 2021.

A handwritten signature in blue ink, appearing to read 'Alexandra Teodorescu', written in a cursive style.

---

*Commissioner for Taking Affidavits (or as may be)*

**Alexandra Teodorescu**



1120

## RENT DEFERRAL AGREEMENT

THIS AGREEMENT made the 27<sup>th</sup> day of April, 2020.

BETWEEN:

**BUFFALO AND FORT ERIE PUBLIC BRIDGE AUTHORITY**  
(the "Landlord")

AND

**PEACE BRIDGE DUTY FREE INC.**  
(the "Tenant")

WHEREAS:

- A. By a lease made July 28, 2016 between the Landlord and the Tenant, the Tenant leased from the Landlord certain premises (the "**Premises**") municipally known 1 Peace Bridge, Fort Erie, Ontario, for a term commencing November 1, 2016 and expiring October 31, 2031; and
- B. Due to travel restrictions and economic hardships created across the world by the COVID-19 pandemic, the Tenant requests rent relief.

**NOW THEREFORE THIS AGREEMENT WITNESSES** in consideration of the covenants and agreements contained herein, and for other good and valuable consideration, the receipt of sufficiency whereof is hereby acknowledged, the parties agree as follows:

**1. INTERPRETATION**

1.1 **Expressions in Lease:** Unless expressly provided to the contrary in this Agreement, all terms defined in the Lease shall have the same meaning in this Agreement.

1.2 **Definitions and Interpretation:** The Lease is amended by adding the following definitions thereto:

"**Amortization Period**" means the one year period commencing on the Restart Date.

"**Suspension Date**" means April 1, 2020.

"**Deferred Rent**" means the Base Rent otherwise payable by the Tenant pursuant to the Lease during the Rent Deferral Period but for the terms of this Agreement.

"**Rent Deferral Period**" means the period commencing on the Rent Suspension Date to and including the earlier of:

- i. July 31, 2020; or

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- ii. the last day of the month following the date that the Tenant has fully reopened the Duty Free Shop for business after the restrictions on non-essential travel between Canada and the United States are lifted (for greater clarity, a partial reopening to accommodate essential travel does not constitute a full reopening).

**"Required Conditions"** means:

- i. the Tenant pays all Additional Rent throughout the Rent Deferral Period, including without limitation, all Operating Costs and Property Taxes;
- ii. the Tenant does not seek benefit or protection of any statute for the benefit of bankrupt or insolvent debtors, including without limitation, a proposal, assignment or arrangement with its creditors or the repudiation or disclaimer of the Lease;
- iii. there has not been a Transfer (as defined in section 14.01 of this Lease); and
- iv. the Tenant strictly complies with all of the terms of the Lease and there is no Event of Default; and
- v. the Tenant strictly complies with all of the terms of this Agreement (including without limitation, the representations and warranties herein).

**"Restart Date"** means the day immediately following the last day of the Rent Deferral Period.

## **2. RENT DEFERRAL**

### **2.1 Tenant's Representations and Warranties:** The Tenant represents and warrants to the Landlord the following:

- (a) the Tenant temporarily closed its business at the Premises on or about March 21, 2020 and will fully re-open for business at the Premises as soon the restrictions on non-essential travel between Canada and the United States of America are lifted; and
- (b) the Tenant has and will continue to use its best efforts to take advantage of all government programs offering financial relief from the effects of the COVID-19 pandemic, including without limitation, any income tax deferral or reduction, rent assistance, employee wage and benefit subsidies and the like, with a view to ensuring that the Tenant is and remains a financially viable business, and shall keep the Landlord apprised of the Tenant's efforts in this regard.

### **2.2 Rent Suspension and Deferral:** Provided the Required Conditions are met both throughout the Rent Deferral Period and the Amortization Period, then notwithstanding anything in this Lease to the contrary, the Tenant's obligation to pay the Deferred Rent during the Rent Deferral Period shall be suspended and deferred and shall not be payable until the Restart Date. The Tenant shall, however, be bound by all the other terms and conditions of this Lease during the Rent Suspension Period. For the purpose of clarity, it is understood and agreed that if any of the Required Conditions are not met, the Tenant's right to suspend and defer payment of Deferred Rent during the Rent Suspension Period shall be immediately forfeited and withdrawn retroactive to the Rent Suspension Date and the Deferred Rent that would otherwise have been payable during the Rent Suspension Period to the date of such forfeiture shall be immediately due and payable together with interest thereon at the rate set forth in the Lease for non-payment of Rent, calculated from the date each such installment of Deferred Rent would otherwise have been payable pursuant to Lease but for this Agreement. Except as expressly

suspended and deferred in accordance with this section, the Tenant shall continue to pay all Rent in accordance with the Lease.

- 2.3 **Repayment of the Deferred Rent:** Repayment of the Deferred Rent shall commence on the Restart Date. The aggregate amount of Deferred Rent together with interest thereon at the rate of 4% per annum shall be amortized over the Amortization Period and repaid by the Tenant in equal consecutive monthly instalments on the first day of each month from and including the Restart Date, without abatement or set-off, in the same manner as Rent. The Tenant covenants and agrees that if at any time, any of the Required Conditions are not met, the Landlord's agreement to amortize the repayment of the Deferred Rent shall be deemed to have been immediately withdrawn and the Tenant shall immediately pay to the Landlord the then outstanding unamortized balance of the Deferred Rent together with interest thereon at the rate of 4% per annum.

### 3. **ACKNOWLEDGEMENT**

- 3.1 **Acknowledgement:** The Tenant confirms that, as of the date hereof, (a) the Landlord is not in default under any obligation of the Landlord under the Lease and (b) there are no disputes or claims outstanding by the Tenant against the Landlord in respect of any past billings, rental recoveries or other matters pertaining to the Lease.

### 4. **NO AGREEMENT**

- 4.1 This Agreement shall be deemed not to have been executed and delivered by the Landlord until:
- i. this Agreement has been duly executed by all the other parties hereto and the Landlord has received at least one executed original hereof; and
  - ii. the Landlord has received payment of the sum of \$3,000 plus the applicable HST thereon, being the estimated legal fees incurred by the Landlord in relation to the request for rent-relief and the preparation of this Agreement.

Until the aforesaid deliverables have been received by the Landlord, the Landlord may, at its sole option, by written notice to the Tenant, withdraw any agreement in respect of rent-relief and this Agreement shall be null and void and of no further force or effect.

### 5. **AGREEMENT PART OF LEASE**

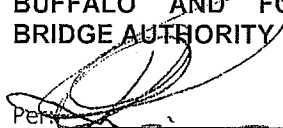
- 5.1 **Agreement Part of Lease:** This Agreement shall be read in conjunction with the Lease and shall form a part thereof and all provisions of the Lease insofar as applicable and except as amended by this Agreement shall continue in full force and effect and shall be binding upon and shall enure to the benefit of the parties, their successors and permitted assigns.
- 5.2 **Further Assurances:** Each party shall at any time and from time to time, upon the request of the other party, execute and deliver such further documents and do such further acts and things as the other party may reasonably request to evidence, carry out and give full effect to the terms, conditions, intent and meaning of this Agreement.
- 5.3 **Counterparts:** This Agreement may be executed by the parties in separate counterparts each of which when so executed and delivered to all of the parties shall be deemed to be and shall be read as a single agreement among the parties.

*[Signature Page Follows]*

1123

IN WITNESS WHEREOF the parties hereto have duly executed this Agreement with effect on the date first set out on the first page of this Agreement.

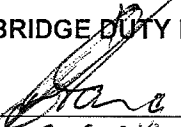
**BUFFALO AND FORT ERIE PUBLIC  
BRIDGE AUTHORITY**

Per:   
Name: ■ Ron Rienas  
Title: ■ General Manager c/s

Per: \_\_\_\_\_  
Name: ■ \_\_\_\_\_  
Title: ■ \_\_\_\_\_

I/~~We~~ have authority to bind the corporation

**PEACE BRIDGE DUTY FREE INC.**

Per:   
Name: ■ G.G. O'HARA  
Title: ■ PRESIDENT c/s

Per: \_\_\_\_\_  
Name: ■ \_\_\_\_\_  
Title: ■ \_\_\_\_\_

I/We have authority to bind the corporation

1124

This is Exhibit "C" referred to in the Affidavit of Jim Pearce sworn  
remotely this 12<sup>th</sup> day of December 2021.

A handwritten signature in blue ink, appearing to read "Alexandra Teodorescu", written in a cursive style.

---

*Commissioner for Taking Affidavits (or as may be)*

**Alexandra Teodorescu**

# **RENT DEFERRAL AGREEMENT**

**THIS AGREEMENT** made the 20th day of November, 2020.

BETWEEN:

**BUFFALO AND FORT ERIE PUBLIC BRIDGE AUTHORITY**  
(the "Landlord")

AND

**PEACE BRIDGE DUTY FREE INC.**  
(the "Tenant")

WHEREAS:

- A. By a lease made July 28, 2016 between the Landlord and the Tenant, the Tenant leased from the Landlord certain premises (the "**Premises**") municipally known 1 Peace Bridge, Fort Erie, Ontario, for a term commencing November 1, 2016 and expiring October 31, 2031; and
- B. Due to travel restrictions and economic hardships created across the world by the COVID-19 pandemic, the Tenant requests rent relief.

**NOW THEREFORE THIS AGREEMENT WITNESSES** in consideration of the covenants and agreements contained herein, and for other good and valuable consideration, the receipt of sufficiency whereof is hereby acknowledged, the parties agree as follows:

## **1. INTERPRETATION**

1.1 **Expressions in Lease:** Unless expressly provided to the contrary in this Agreement, all terms defined in the Lease shall have the same meaning in this Agreement.

1.2 **Definitions and Interpretation:** The Lease is amended by adding the following definitions thereto:

"**Amortization Period**" means the two year period commencing on the Restart Date.

"**Suspension Date**" means April 1, 2020.

"**Deferred Rent**" means the Base Rent otherwise payable by the Tenant pursuant to the Lease during the Rent Deferral Period but for the terms of this Agreement.

"**Rent Deferral Period**" means the period commencing on the Rent Suspension Date to and including the earlier of:

- i. March 31, 2021; or

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- ii. the last day of the month following the date that the Tenant has fully reopened the Duty Free Shop for business after the restrictions on non-essential travel between Canada and the United States are lifted (for greater clarity, a partial reopening to accommodate essential travel does not constitute a full reopening).

**“Required Conditions”** means:

- i. the Tenant pays all Additional Rent throughout the Rent Deferral Period, including without limitation, all Operating Costs and Property Taxes;
- ii. the Tenant does not seek benefit or protection of any statute for the benefit of bankrupt or insolvent debtors, including without limitation, a proposal, assignment or arrangement with its creditors or the repudiation or disclaimer of the Lease;
- iii. there has not been a Transfer (as defined in section 14.01 of this Lease); and
- iv. the Tenant strictly complies with all of the terms of the Lease and there is no Event of Default; and
- v. the Tenant strictly complies with all of the terms of this Agreement (including without limitation, the representations and warranties herein).

**“Restart Date”** means the day immediately following the last day of the Rent Deferral Period.

## **2. RENT DEFERRAL**

### **2.1 Tenant’s Representations and Warranties:** The Tenant represents and warrants to the Landlord the following:

- (a) the Tenant temporarily closed its business at the Premises on or about March 21, 2020 and will fully re-open for business at the Premises as soon the restrictions on non-essential travel between Canada and the United States of America are lifted; and
- (b) the Tenant has and will continue to use its best efforts to take advantage of all government programs offering financial relief from the effects of the COVID-19 pandemic, including without limitation, any income tax deferral or reduction, rent assistance, employee wage and benefit subsidies and the like, with a view to ensuring that the Tenant is and remains a financially viable business, and shall keep the Landlord apprised of the Tenant’s efforts in this regard.

### **2.2 Rent Suspension and Deferral:** Provided the Required Conditions are met both throughout the Rent Deferral Period and the Amortization Period, then notwithstanding anything in this Lease to the contrary, the Tenant’s obligation to pay the Deferred Rent during the Rent Deferral Period shall be suspended and deferred and shall not be payable until the Restart Date. The Tenant shall, however, be bound by all the other terms and conditions of this Lease during the Rent Suspension Period. For the purpose of clarity, it is understood and agreed that if any of the Required Conditions are not met, the Tenant’s right to suspend and defer payment of Deferred Rent during the Rent Suspension Period shall be immediately forfeited and withdrawn retroactive to the Rent Suspension Date and the Deferred Rent that would otherwise have been payable during the Rent Suspension Period to the date of such forfeiture shall be immediately due and payable together with interest thereon at the rate set forth in the Lease for non-payment of Rent, calculated from the date each such installment of Deferred Rent would otherwise have been payable pursuant to Lease but for this Agreement. Except as expressly

suspended and deferred in accordance with this section, the Tenant shall continue to pay all Rent in accordance with the Lease.

- 2.3 **Repayment of the Deferred Rent:** Repayment of the Deferred Rent shall commence on the Restart Date. The aggregate amount of Deferred Rent together with interest thereon at the rate of 4% per annum shall be amortized over the Amortization Period and repaid by the Tenant in equal consecutive monthly instalments on the first day of each month from and including the Restart Date, without abatement or set-off, in the same manner as Rent. The Tenant covenants and agrees that if at any time, any of the Required Conditions are not met, the Landlord's agreement to amortize the repayment of the Deferred Rent shall be deemed to have been immediately withdrawn and the Tenant shall immediately pay to the Landlord the then outstanding unamortized balance of the Deferred Rent together with interest thereon at the rate of 4% per annum.

### 3. **ACKNOWLEDGEMENT**

- 3.1 **Acknowledgement:** The Tenant confirms that, as of the date hereof, (a) the Landlord is not in default under any obligation of the Landlord under the Lease and (b) there are no disputes or claims outstanding by the Tenant against the Landlord in respect of any past billings, rental recoveries or other matters pertaining to the Lease.

### 4. **NO AGREEMENT**

- 4.1 This Agreement shall be deemed not to have been executed and delivered by the Landlord until:
- i. this Agreement has been duly executed by all the other parties hereto and the Landlord has received at least one executed original hereof; and

Until the aforesaid deliverables have been received by the Landlord, the Landlord may, at its sole option, by written notice to the Tenant, withdraw any agreement in respect of rent-relief and this Agreement shall be null and void and of no further force or effect.

### 5. **AGREEMENT PART OF LEASE**

- 5.1 **Agreement Part of Lease:** This Agreement shall be read in conjunction with the Lease and shall form a part thereof and all provisions of the Lease insofar as applicable and except as amended by this Agreement shall continue in full force and effect and shall be binding upon and shall enure to the benefit of the parties, their successors and permitted assigns.
- 5.2 **Further Assurances:** Each party shall at any time and from time to time, upon the request of the other party, execute and deliver such further documents and do such further acts and things as the other party may reasonably request to evidence, carry out and give full effect to the terms, conditions, intent and meaning of this Agreement.
- 5.3 **Counterparts:** This Agreement may be executed by the parties in separate counterparts each of which when so executed and delivered to all of the parties shall be deemed to be and shall be read as a single agreement among the parties.

*[Signature Page Follows]*



1128

IN WITNESS WHEREOF the parties hereto have duly executed this Agreement with effect on the date first set out on the first page of this Agreement.

**BUFFALO AND FORT ERIE PUBLIC  
BRIDGE AUTHORITY**


Per: \_\_\_\_\_  
Name: ■  
Title: ■

c/s

Per: \_\_\_\_\_  
Name: ■  
Title: ■

I/We have authority to bind the corporation

**PEACE BRIDGE DUTY FREE INC.**

Per:   
Name: ■ GREGORY G. O'HARA  
Title: ■ PRESIDENT

c/s

Per: \_\_\_\_\_  
Name: ■  
Title: ■

I/We have authority to bind the corporation

1129

This is Exhibit “D” referred to in the Affidavit of Jim Pearce sworn  
remotely this 12<sup>th</sup> day of December 2021.

A handwritten signature in blue ink, appearing to read 'Alexandra Teodorescu', is centered above a horizontal line.

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*Commissioner for Taking Affidavits (or as may be)*

**Alexandra Teodorescu**

Period 1 Oct 24/20		Date paid to PBA	
Submitted to CRA	Nov 30/20		
Rec'd from CRA	Dec 4/20	Dec 23/20	CERS - Per 1-Oct 24 43,441.54
Paid PBA	Dec 23/20	Feb 2 /21	PBA-CERS-Period2-Nov 21 40,583.14
Confirmation sent to PBA	Dec 31/20	Mar 10/21	PBA-CERS-Lockdown Per 2 18,750.00
		Apr 20/21	PBA-CERS-Period3-Dec20 58,053.31
Period 2 Nov 21/20		Sep 8/21	PBA-CERS-Per 4/11 Jan2021 59,333.14
Submitted to CRA	Jan 12/21	Sep 21/21	Period 5/12 Feb 13/21 58,449.84
Rec'd from CRA	Jan 15/21	Sep 21/21	Period 6/13 Mar 13/21 39,699.84
Paid PBA	Feb 2/21	Sep 23/21	Period 7/14 Apr 10/21 39,699.84
Confirmation sent to PBA	Feb 9/21	Sep 23/21	Period 8/15 May 8/21 37,937.67
		Sep 23/21	Period 9/16 Jun 5/21 37,937.67
Period 3 Dec 19/20		Sep 23/21	Period 10/17 July 3/21 37,937.67
Submitted to CRA	Feb 16/21	Sep 30/21	Period 11/18 July 31/21 34,187.67
Rec'd from CRA	Feb 24/21	Sep 30/21	Period 12/19 Aug 28/21 19,187.67
Paid PBA	Apr 20/21	Oct 18/21	Period 13/20 Sep 25/21 19,187.67
Confirmation sent to PBA	Apr 23/21	Nov 11/21	Period 14/21 Oct 23/21 4,187.67
Period 4/11 Jan 16/21			548,574.34
Submitted to CRA	July 7/21		
Rec'd from CRA	July 12/21		
Paid PBA	Sep 8/21		
Confirmation sent to PBA	Sep 16/21		
Period 5/12 Feb 13/21			
Submitted	Aug 9/21		
Rec'd from CRA	Aug 12/21		
Paid PBA	Sep 21/21		
Confirmation for Period 12 thru 17 sent to Gowling			
Period 6/13 Mar 13/21			
Submitted	Sep 7/21		
Rec'd from CRA	Sep 13/21		
Paid PBA	Sep 21/21		
Period 14 Apr 10/21			
Submitted	Sep 20/21		
Rec'd from CRA	Sep 23/21		
Paid PBA	Sep 23/21		
Period 15 May 8/21			
Submitted	Sep 20/21		
Rec'd from CRA	Sep 23/21		
Paid PBA	Sep 23/21		
Period 16 Jun 5/21			
Submitted	Sep 20/21		
Rec'd from CRA	Sep 23/21		
Paid PBA	Sep 23/21		
Period 17 July 3/21			
Submitted	Sep 20/21		
Rec'd from CRA	Sep 23/21		
Paid PBA	Sep 23/21		
Period 18 July 31/21			
Submitted	Sep 23/21		
Rec'd from CRA	Sep 28/21		
Paid PBA	Sep 30/21		
Confirmation sent to PBA	Sep 30/21		
Period 19 Aug 28/21			
Submitted	Sep 23/21		
Rec'd from CRA	Sep 28/21		
Paid PBA	Sep 30/21		
Confirmation sent to PBA	Sep 30/21		
Period 20 Sep 25/21			
Submitted	Oct 12/21		
Rec'd from CRA	Oct 15/21		
Paid PBA	Oct 18/21		
Confirmation sent to PBA	Oct 18/21		
Period 21 Oct 23/21			
Submitted	Nov 3/21		
Rec'd from CRA	Nov 8/21		
Paid PBA	Nov 11/21		
Confirmation sent to PBA	Nov 12/21		

1130

1131

This is Exhibit “E” referred to in the Affidavit of Jim Pearce sworn  
remotely this 12<sup>th</sup> day of December 2021.

A handwritten signature in blue ink, appearing to read 'Alexandra Teodorescu', written in a cursive style.

---

*Commissioner for Taking Affidavits (or as may be)*

**Alexandra Teodorescu**



1132

September 16, 2021

Ron Reinas

General Manager

Buffalo & Fort Erie Public Bridge Authority

P.O. Box 339 Peace Bridge Plaza  
Fort Erie, Ontario L2A 5N1 Canada

P.O. Box 572  
Buffalo, New York USA 14213-0572

Telephone: (905) 871-5400  
Fax: (905) 871-6335

Ron,

We are in receipt of a letter from Christopher M. Stanek dated September 8, 2021. This letter was sent by registered mail, and we only received it on September 14, 2021.

We acknowledge that base rent has not been paid in accordance with the 2016 lease.

However, we deny all other allegations made in the Notice of Default, which we believe are being advanced in bad faith. We have been fully transparent with the Buffalo and Fort Erie Public Bridge Authority (PBA) since the commencement of the pandemic and have sought an opportunity to discuss the circumstances associated with the pandemic on countless occasions. The various correspondences that we have sent to the PBA speak for themselves.

Please note that any act in furtherance of the Notice of Default will be seen as being taken in bad faith and in contravention of the commercial tenancy eviction moratorium.

Also, to be clear, the duty-free shop has been open throughout the pandemic with respect to those services that were essential and supported the continued flow of traffic across the bridge (e.g., ATM, washrooms and customs paperwork for truckers). We acknowledge that the retail aspect of the duty-free shop has been closed due to public health restrictions and due to border restrictions, which have affected the ability of customers to purchase duty free goods.

Despite our efforts to co-ordinate with the PBA to work towards re-opening the retail operation, the PBA has made it clear that it does not want to discuss the particulars of such re-opening.

While we deny that the closing of the retail operations was a default under the lease in light of the public health and border restrictions, we nonetheless will be re-opening the retail aspect of the duty-free shop on September 19, 2021. Please note that such re-opening will be done in a manner that is consistent with our best efforts to provide a COVID safe environment for both our employees and customers and in compliance with public health guidance.

1133

As set-out in our proposal of August 20, 2021, we will pay rent to the PBA on a percentage rent basis. Due to the continued border restrictions and associated reduction in traffic, the revenues from the retail operation will not be enough to pay the base rent as set out in the lease.

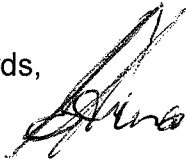
Furthermore, it appears that the PBA has not credited the \$50,000 it took from security deposit against the outstanding rent. As such, it remains unclear what that amount was applied to. Nonetheless, if the PBA were to confirm that the amount has been applied to the outstanding rent, we are prepared to make arrangements for the further \$50,000 demanded as a security deposit. We look forward to your guidance as to whether such security deposit will be maintained as a security deposit or will the PBA liquidate the deposit only to make another demand. Your guidance in that regard would be much appreciated as we could otherwise arrange for the security deposit to be held by a third party, in trust.

The suggestion that we are not in compliance with the CERS program is false. No particulars of our apparent non-compliance have been provided and we view this as an extraordinarily serious and damaging allegation. We request that this allegation be withdrawn immediately.

Finally, as you know, we have not abandoned the lease and the leased premises have not been left vacant. With the exception of the base rent payments, we have met all obligations under the lease.

Again, we look forward to discussing this matter with you so to develop a going forward plan.

Regards,



Gregory G. O'Hara

President and CEO

Peace Bridge Duty Free Inc.



September 17, 2021

**Via Registered Mail & Email - gohara@dutyfree.ca**

**Gregory G. O'Hara**

President, CEO  
Peace Bridge Duty Free Inc.  
1 Peace Bridge  
PO BOX 339 STN Main  
Fort Erie, Ontario  
L2A 5N1

**Christopher M. Stanek**

Direct +1 416 862 4369  
christopher.stanek@gowlingwlg.com  
File no. K0565679

Dear Mr O'Hara:

**Re: Buffalo and Fort Erie Public Bridge Authority and Peace Bridge Duty Free Inc.**

I am writing in response to your letter dated September 16, 2021 addressed to my client, Buffalo and Fort Erie Public Bridge Authority. Please direct all future correspondence to me. Particularly where such correspondence is in response to a letter from me. I am retained to deal with the default of your obligations under the Lease.

With respect to the Notice of Default dated September 8, 2021, served upon you concerning the arrears of rent, please note that the "commercial tenancies eviction moratorium", that you reference in your letter is a regulation passed by the Ontario Government and is effective **only** if the following requirements have been met:

1. The tenant has been approved to receive CERS;
2. The tenant has **provided proof** of its CERS approval to the landlord for each claim period;
3. Not more than 12 weeks have passed since the tenant was approved for CERS for each claim period.

If these conditions are not met, there is no moratorium. Please provide the documentary evidence that Peace Bridge Duty Free is in compliance with the above conditions on or before **Friday, September 17, 2021**. Absent such documentary evidence, our clients' position will be that the default with respect to unpaid rent is unrectified, and the moratorium on eviction is not effective.

Please also note that, with respect to the Notice of Default dated September 8, 2021 concerning your failure to open the duty-free store, our client disputes your assertion that "the duty-free shop has been open throughout the pandemic". Indeed, what you describe as the "retail aspect" that you intend to open on September 19, 2021, is, in fact, what was required to remain open under the Lease. The duty-free store could have been (and should have been) opened months ago without any involvement or participation from our client.

Please also note that even if you do open the duty-free store as promised, our client does not agree that partial payments of rent are acceptable to satisfy your rental obligations under the Lease. The full



amount of rent set out in the Lease remains due and owing irrespective of how your operations are conducted.

Finally, we confirm that the \$50,000 security deposit has been applied to outstanding rent. You continue to have an obligation to replenish it.

Sincerely,

Gowling WLG (Canada) LLP

A handwritten signature in black ink, appearing to read "Chris Stanek", with a long horizontal flourish extending to the right.

Christopher M. Stanek

CMS:cc

Bcc: Client





1136

P.O. Box 339 Peace Bridge Plaza  
Fort Erie, Ontario L2A 5N1 Canada

P.O. Box 572  
Buffalo, New York USA 14213-0572

Telephone: (905) 871-5400  
Fax: (905) 871-6335

September 20, 2021

Christopher Stanek

Gowling WLG

Mr. Stanek,

We are in receipt of your letter of September 17, 2021.

The purpose of this letter is to respond to the inquiry made in your letter of September 17, 2021 regarding the Canada Emergency Rent Subsidy and Ontario's moratorium on commercial tenancies evictions.

We disagree with the statement that PBDF is not in compliance with the requirements associated with the moratorium. PBDF has applied for, been approved to receive and has received CERS payments, which have been paid over to the PBA as rent. In total, PBDF has paid \$220,161.00 in CERS over to PBA. Furthermore, we will be sending an additional \$98,150.00 that we have received but have not yet paid to the PBA. Also, so long as PBDF continues to qualify for the program, PBDF will continue to make such payments.

Attached is the most recent approval for payment received from the CRA, which is dated August 12, 2021. This amount was received by PBDF on August 12, 2021 and is in the process of being paid over to the PBA. Furthermore, PBDF made a payment of amounts received from the CERS to PBA on September 8, 2021. In addition, PBDF submitted a further application which was approved September 13, 2021. These approvals to receive CERS are within the 12 weeks as require by Ontario's moratorium and as described in your letter and are in compliance with the CERS program. Attached for your information are copies of all approval documents provided to us by CRA with respect to the CERS. PBDF is in the process of making additional application for CERS for subsequent periods that are presently open.

PBDF has responded to any request by the PBA re: proof of CERS approval. In any event, PBA has always known that we have been approved under the CERS program and has accepted payment of rent on the basis of the CERS subsidy.

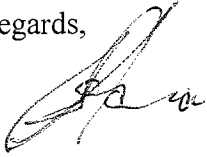
Also, we are in the process of making arrangements for the replenishment of the \$50,000.00 security deposit. We now understand that the amount previously held by the PBA has been applied to outstanding rent. As noted in our previous correspondence to the PBA, we do not believe that it is appropriate in the circumstances for the PBA to apply the security deposit towards rent during Ontario's moratorium. We trust that the amounts that we will be paying to replenish the security deposit will not be applied toward rent in the same manner.



1137

Finally, we confirm that the duty free shop re-opened its retail operations on September 19, 2021.

Regards,

A handwritten signature in black ink, appearing to read "G. O'Hara", with a large, stylized initial "G" and a flourish at the end.

Gregory G. O'Hara

President and CEO

Peace Bridge Duty Free Inc.



Canada Revenue  
Agency

Agence du revenu  
du Canada



## COVID-19: Canada Emergency Rent Subsidy (CERS) - confirmation

Your application has been received. Your confirmation number is: **756686**

Your claim will be reviewed within 10 to 15 business days. Any payment resulting from this application will be made using the direct deposit or mailing address information we have on file for your account.

Business number: **101851210 ZA0001**

Business name: **PEACE BRIDGE DUTY FREE INC**

Period covered: **2021-06-06 to 2021-07-03**

Filing date: **2021-09-20**

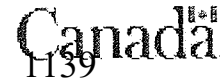
### Claim summary

Line	Description	Amount
Line 110	Number of properties eligible for the rent subsidy	2
Line 120	Total eligible rent for the claim period	\$354,473.00
Line 130	Total eligible property taxes for the claim period	\$0.00
Line 140	Total eligible property insurance for the claim period	\$0.00
Line 150	Total eligible interest on commercial mortgages for the claim period	\$0.00
Line 155	Total eligible expenses for the claim period (Line 120 + Line 130 + Line 140 + Line 150)	\$354,473.00
Line 160	Total qualifying rent expenses for the claim period (maximum \$75,000 per property)	\$82,324.00
Line 170	Maximum rent expenses that can be claimed for the claim period (lesser of: Line 160; \$300,000; and, if applicable, \$300,000 multiplied by the percentage assigned per the agreement among affiliated entities claiming the rent subsidy)	\$82,324.00
Line 200	Revenue drop for the current period	98.20%
Line 210	Revenue drop for the previous period	99.30%
Line 220	Subsidy rate (maximum 65%)	65.00%
Line 300	Base Canada Emergency Rent Subsidy (Line 170 * Line 220)	\$53,510.60
Line 310	Lockdown support (subsidy top-up)	\$0.00
Line 320	<b>Total Canada Emergency Rent Subsidy (Line 300 + Line 310)</b>	<b>\$53,510.60</b>



Canada Revenue  
Agency

Agence du revenu  
du Canada



## COVID-19: Canada Emergency Rent Subsidy (CERS) - confirmation

Your application has been received. Your confirmation number is: 189476

Your claim will be reviewed within 10 to 15 business days. Any payment resulting from this application will be made using the direct deposit or mailing address information we have on file for your account.

Business number: 101851210 ZA0001

Business name: PEACE BRIDGE DUTY FREE INC

Period covered: 2021-05-09 to 2021-06-05

Filing date: 2021-09-20

### Claim summary

Line	Description	Amount
Line 110	Number of properties eligible for the rent subsidy	2
Line 120	Total eligible rent for the claim period	\$354,431.00
Line 130	Total eligible property taxes for the claim period	\$0.00
Line 140	Total eligible property insurance for the claim period	\$0.00
Line 150	Total eligible interest on commercial mortgages for the claim period	\$0.00
Line 155	Total eligible expenses for the claim period (Line 120 + Line 130 + Line 140 + Line 150)	\$354,431.00
Line 160	Total qualifying rent expenses for the claim period (maximum \$75,000 per property)	\$82,275.00
Line 170	Maximum rent expenses that can be claimed for the claim period (lesser of: Line 160; \$300,000; and, if applicable, \$300,000 multiplied by the percentage assigned per the agreement among affiliated entities claiming the rent subsidy)	\$82,275.00
Line 200	Revenue drop for the current period	99.30%
Line 210	Revenue drop for the previous period	99.20%
Line 220	Subsidy rate (maximum 65%)	65.00%
Line 300	Base Canada Emergency Rent Subsidy (Line 170 * Line 220)	\$53,478.75
Line 310	Lockdown support (subsidy top-up)	\$0.00
Line 320	Total Canada Emergency Rent Subsidy (Line 300 + Line 310)	\$53,478.75



Canada Revenue  
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du Canada



## COVID-19: Canada Emergency Rent Subsidy (CERS) - confirmation

Your application has been received. Your confirmation number is: 439919

Your claim will be reviewed within 10 to 15 business days. Any payment resulting from this application will be made using the direct deposit or mailing address information we have on file for your account.

Business number: 101851210 ZA0001

Business name: PEACE BRIDGE DUTY FREE INC

Period covered: 2021-04-11 to 2021-05-08

Filing date: 2021-09-20

### Claim summary

Line	Description	Amount
Line 110	Number of properties eligible for the rent subsidy	2
Line 120	Total eligible rent for the claim period	\$354,443.00
Line 130	Total eligible property taxes for the claim period	\$0.00
Line 140	Total eligible property insurance for the claim period	\$0.00
Line 150	Total eligible interest on commercial mortgages for the claim period	\$0.00
Line 155	Total eligible expenses for the claim period (Line 120 + Line 130 + Line 140 + Line 150)	\$354,443.00
Line 160	Total qualifying rent expenses for the claim period (maximum \$75,000 per property)	\$82,249.00
Line 170	Maximum rent expenses that can be claimed for the claim period (lesser of: Line 160; \$300,000; and, if applicable, \$300,000 multiplied by the percentage assigned per the agreement among affiliated entities claiming the rent subsidy)	\$82,249.00
Line 200	Revenue drop for the current period	99.20%
Line 210	Revenue drop for the previous period	99.50%
Line 220	Subsidy rate (maximum 65%)	65.00%
Line 300	Base Canada Emergency Rent Subsidy (Line 170 * Line 220)	\$53,461.85
Line 310	Lockdown support (subsidy top-up)	\$0.00
Line 320	Total Canada Emergency Rent Subsidy (Line 300 + Line 310)	\$53,461.85



Canada Revenue  
Agency

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## COVID-19: Canada Emergency Rent Subsidy (CERS) - confirmation

Your application has been received. Your confirmation number is: 989419

Your claim will be reviewed within 10 to 15 business days. Any payment resulting from this application will be made using the direct deposit or mailing address information we have on file for your account.

Business number: 101851210 ZA0001

Business name: PEACE BRIDGE DUTY FREE INC

Period covered: 2021-03-14 to 2021-04-10

Filing date: 2021-09-20

### Claim summary

Line	Description	Amount
Line 110	Number of properties eligible for the rent subsidy	2
Line 120	Total eligible rent for the claim period	\$351,561.00
Line 130	Total eligible property taxes for the claim period	\$0.00
Line 140	Total eligible property insurance for the claim period	\$0.00
Line 150	Total eligible interest on commercial mortgages for the claim period	\$0.00
Line 155	Total eligible expenses for the claim period (Line 120 + Line 130 + Line 140 + Line 150)	\$351,561.00
Line 160	Total qualifying rent expenses for the claim period (maximum \$75,000 per property)	\$81,026.00
Line 170	Maximum rent expenses that can be claimed for the claim period (lesser of: Line 160; \$300,000; and, if applicable, \$300,000 multiplied by the percentage assigned per the agreement among affiliated entities claiming the rent subsidy)	\$81,026.00
Line 200	Revenue drop for the current period	99.50%
Line 210	Revenue drop for the previous period	99.60%
Line 220	Subsidy rate (maximum 65%)	65.00%
Line 300	Base Canada Emergency Rent Subsidy (Line 170 * Line 220)	\$52,666.90
Line 310	Lockdown support (subsidy top-up)	\$0.00
Line 320	Total Canada Emergency Rent Subsidy (Line 300 + Line 310)	\$52,666.90



Canada Revenue  
Agency

Agence du revenu  
du Canada

Canada  
1142

## COVID-19: Canada Emergency Rent Subsidy (CERS) - confirmation

Your application has been received. Your confirmation number is: 903311

Your claim will be reviewed within 10 to 15 business days. Any payment resulting from this application will be made using the direct deposit or mailing address information we have on file for your account.

Business number: 101851210 ZA0001

Business name: PEACE BRIDGE DUTY FREE INC

Period covered: 2021-02-14 to 2021-03-13

Filing date: 2021-09-07

### Claim summary

Line	Description	Amount
Line 110	Number of properties eligible for the rent subsidy	2
Line 120	Total eligible rent for the claim period	\$349,834.00
Line 130	Total eligible property taxes for the claim period	\$0.00
Line 140	Total eligible property insurance for the claim period	\$0.00
Line 150	Total eligible interest on commercial mortgages for the claim period	\$0.00
Line 155	Total eligible expenses for the claim period (Line 120 + Line 130 + Line 140 + Line 150)	\$349,834.00
Line 160	Total qualifying rent expenses for the claim period (maximum \$75,000 per property)	\$79,287.00
Line 170	Maximum rent expenses that can be claimed for the claim period (lesser of: Line 160; \$300,000; and, if applicable, \$300,000 multiplied by the percentage assigned per the agreement among affiliated entities claiming the rent subsidy)	\$79,287.00
Line 200	Revenue drop for the current period	99.60%
Line 210	Revenue drop for the previous period	99.70%
Line 220	Subsidy rate (maximum 65%)	65.00%
Line 300	Base Canada Emergency Rent Subsidy (Line 170 * Line 220)	\$51,536.55
Line 310	Lockdown support (subsidy top-up)	\$0.00
<b>Line 320</b>	<b>Total Canada Emergency Rent Subsidy (Line 300 + Line 310)</b>	<b>\$51,536.55</b>



Summerside PE C1N 5Z7

1143

0008599

Date Issued Aug 12, 2021  
Business number 10185 1210 ZA0001

PEACE BRIDGE DUTY FREE INC  
C/O KAREN SHAUBEL  
P.O. BOX 339 STN MAIN  
FORT ERIE ON L2A 5N1

**Subject:** Canada Emergency Rent Subsidy (CERS) - Notice of (re)determination (period covered: **January 17, 2021 to February 13, 2021** )

We determined that PEACE BRIDGE DUTY FREE INC is eligible for the rent subsidy for this qualifying period.

Your entitlement is **\$70,137.70** (under subsection 152(3.4) of the Income Tax Act).

If the amount showing on this notice is different from what you claimed, we will send you an explanation of the change separately.

For more information on the CERS program, go to **canada.ca/rent-subsidy**.

If you disagree and want to file an objection, you have 90 days from the date of this notice. To learn more about your objection rights, go to **canada.ca/cra-complaints-disputes**.

If you are late with filing any of your returns, we encourage you to file them as soon as possible. We use your tax information to determine your eligibility for benefit and credit payments.

We may also hold any refunds or credits you are entitled to until you file all your outstanding returns.

You must keep your books and records in case we ask to see them later. For more information on how to keep adequate books and records, go to **canada.ca/taxes-records**.

If you need more information about this notice, call us at **1-800-959-5525**.

Thank you,

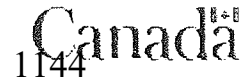
Bob Hamilton  
Commissioner of Revenue





Canada Revenue  
Agency

Agence du revenu  
du Canada



## COVID-19: Canada Emergency Rent Subsidy (CERS) - confirmation

Your application has been received. Your confirmation number is: **510972**

Your claim will be reviewed within 10 to 15 business days. Any payment resulting from this application will be made using the direct deposit or mailing address information we have on file for your account.

Business number: **101851210 ZA0001**

Business name: **PEACE BRIDGE DUTY FREE INC**

Period covered: **2021-01-17 to 2021-02-13**

Filing date: **2021-08-09**

### Claim summary

Line	Description	Amount
Line 110	Number of properties eligible for the rent subsidy	2
Line 120	Total eligible rent for the claim period	\$349,737.00
Line 130	Total eligible property taxes for the claim period	\$0.00
Line 140	Total eligible property insurance for the claim period	\$0.00
Line 150	Total eligible interest on commercial mortgages for the claim period	\$0.00
Line 155	Total eligible expenses for the claim period (Line 120 + Line 130 + Line 140 + Line 150)	\$349,737.00
Line 160	Total qualifying rent expenses for the claim period (maximum \$75,000 per property)	\$79,058.00
Line 170	Maximum rent expenses that can be claimed for the claim period (lesser of: Line 160; \$300,000; and, if applicable, \$300,000 multiplied by the percentage assigned per the agreement among affiliated entities claiming the rent subsidy)	\$79,058.00
Line 200	Revenue drop for the current period	99.70%
Line 210	Revenue drop for the previous period	99.60%
Line 220	Subsidy rate (maximum 65%)	65.00%
Line 300	Base Canada Emergency Rent Subsidy (Line 170 * Line 220)	\$51,387.70
Line 310	Lockdown support (subsidy top-up)	\$18,750.00
<b>Line 320</b>	<b>Total Canada Emergency Rent Subsidy (Line 300 + Line 310)</b>	<b>\$70,137.70</b>



Summerside PE C1N 5Z7

1145

0000698

Date Issued Jul 12, 2021  
Business number 10185 1210 ZA0001

PEACE BRIDGE DUTY FREE INC  
C/O KAREN SHAUBEL  
P.O. BOX 339 STN MAIN  
FORT ERIE ON L2A 5N1

**Subject:** Canada Emergency Rent Subsidy (CERS) - Notice of (re)determination (period covered: **December 20, 2020 to January 16, 2021** )

We determined that PEACE BRIDGE DUTY FREE INC is eligible for the rent subsidy for this qualifying period.

Your entitlement is **\$72,345.75** (under subsection 152(3.4) of the Income Tax Act).

If the amount showing on this notice is different from what you claimed, we will send you an explanation of the change separately.

For more information on the CERS program, go to **canada.ca/rent-subsidy**.

If you disagree and want to file an objection, you have 90 days from the date of this notice. To learn more about your objection rights, go to **canada.ca/cra-complaints-disputes**.

If you are late with filing any of your returns, we encourage you to file them as soon as possible. We use your tax information to determine your eligibility for benefit and credit payments.

We may also hold any refunds or credits you are entitled to until you file all your outstanding returns.

You must keep your books and records in case we ask to see them later. For more information on how to keep adequate books and records, go to **canada.ca/taxes-records**.

If you need more information about this notice, call us at **1-800-959-5525**.

Thank you,

Bob Hamilton  
Commissioner of Revenue



Canada Revenue  
Agency

Agence du revenu  
du Canada

Canada  
1146

## COVID-19: Canada Emergency Rent Subsidy (CERS) - confirmation

Your application has been received. Your confirmation number is: 673086

Your claim will be reviewed within 10 to 15 business days. Any payment resulting from this application will be made using the direct deposit or mailing address information we have on file for your account.

Business number: 101851210 ZA0001

Business name: PEACE BRIDGE DUTY FREE INC

Period covered: 2020-12-20 to 2021-01-16

Filing date: 2021-07-07

### Claim summary

Line	Description	Amount
Line 110	Number of properties eligible for the rent subsidy	2
Line 120	Total eligible rent for the claim period	\$352,501.00
Line 130	Total eligible property taxes for the claim period	\$0.00
Line 140	Total eligible property insurance for the claim period	\$0.00
Line 150	Total eligible interest on commercial mortgages for the claim period	\$0.00
Line 155	Total eligible expenses for the claim period (Line 120 + Line 130 + Line 140 + Line 150)	\$352,501.00
Line 160	Total qualifying rent expenses for the claim period (maximum \$75,000 per property)	\$82,455.00
Line 170	Maximum rent expenses that can be claimed for the claim period (lesser of: Line 160; \$300,000; and, if applicable, \$300,000 multiplied by the percentage assigned per the agreement among affiliated entities claiming the rent subsidy)	\$82,455.00
Line 200	Revenue drop for the current period	99.60%
Line 210	Revenue drop for the previous period	99.40%
Line 220	Subsidy rate (maximum 65%)	65.00%
Line 300	Base Canada Emergency Rent Subsidy (Line 170 * Line 220)	\$53,595.75
Line 310	Lockdown support (subsidy top-up)	\$18,750.00
Line 320	<b>Total Canada Emergency Rent Subsidy (Line 300 + Line 310)</b>	<b>\$72,345.75</b>



Summerside PE C1N 5Z7

1147

0004734

Date Issued Feb 24, 2021  
Business number 10185 1210 ZA0001

PEACE BRIDGE DUTY FREE INC  
C/O KAREN SHAUBEL  
P.O. BOX 339 STN MAIN  
FORT ERIE ON L2A 5N1

**Subject:** Canada Emergency Rent Subsidy (CERS) - Notice of (re)determination (period covered:  
**November 22, 2020 to December 19, 2020** )

We determined that PEACE BRIDGE DUTY FREE INC is eligible for the rent subsidy for this qualifying period.

Your entitlement is **\$69,876.40** (under subsection 152(3.4) of the Income Tax Act).

If the amount showing on this notice is different from what you claimed, we will send you an explanation of the change separately.

For more information on the CERS program, go to **canada.ca/rent-subsidy**.

If you disagree and want to file an objection, you have 90 days from the date of this notice. To learn more about your objection rights, go to **canada.ca/cra-complaints-disputes**.

If you are late with filing any of your returns, we encourage you to file them as soon as possible. We use your tax information to determine your eligibility for benefit and credit payments.

We may also hold any refunds or credits you are entitled to until you file all your outstanding returns.

You must keep your books and records in case we ask to see them later. For more information on how to keep adequate books and records, go to **canada.ca/taxes-records**.

If you need more information about this notice, call us at **1-800-959-5525**.

Thank you,

Bob Hamilton  
Commissioner of Revenue





Your application has been received. Your confirmation number is: **417530**

Your claim will be reviewed within 10 to 15 business days. Any payment resulting from this application will be made using the direct deposit or mailing address information we have on file for your account.

Business number: **101851210 ZA0001**

Business name: **PEACE BRIDGE DUTY FREE INC**

Period covered: **2020-11-22 to 2020-12-19**

Filing date: **2021-02-19**

### Claim summary

Line	Description	Amount
Line 110	Number of properties eligible for the rent subsidy	2
Line 120	Total eligible rent for the claim period	\$345,156.00
Line 130	Total eligible property taxes for the claim period	\$0.00
Line 140	Total eligible property insurance for the claim period	\$0.00
Line 150	Total eligible interest on commercial mortgages for the claim period	\$0.00
Line 155	Total eligible expenses for the claim period (Line 120 + Line 130 + Line 140 + Line 150)	\$345,156.00
Line 160	Total qualifying rent expenses for the claim period (maximum \$75,000 per property)	\$78,656.00
Line 170	Maximum rent expenses that can be claimed for the claim period (lesser of: Line 160; \$300,000; and, if applicable, \$300,000 multiplied by the percentage assigned per the agreement among affiliated entities claiming the rent subsidy)	\$78,656.00
Line 200	Revenue drop for the current period	99.40%
Line 210	Revenue drop for the previous period	99.60%
Line 220	Subsidy rate (maximum 65%)	65.00%
Line 300	Base Canada Emergency Rent Subsidy (Line 170 * Line 220)	\$51,126.40
Line 310	Lockdown support (subsidy top-up)	\$18,750.00
<b>Line 320</b>	<b>Total Canada Emergency Rent Subsidy (Line 300 + Line 310)</b>	<b>\$69,876.40</b>



Canada Revenue Agency  
Agence du revenu  
du Canada



Your application has been received. Your confirmation number is: 972802

Your claim will be reviewed within 10-15 business days. Any payment resulting from this application will be made using the direct deposit or mailing address information we have on file for your account.

Business number: **101851210 ZA0001**

Business name: **PEACE BRIDGE DUTY FREE INC**

Period covered: **2020-10-25 to 2020-11-21**

Filing date: **2021-01-12**

### Claim summary

Line 110	Number of properties eligible for the rent subsidy	2
Line 120	Total eligible rent for the claim period	\$343,954.00
Line 130	Total eligible property taxes for the claim period	\$0.00
Line 140	Total eligible property insurance for the claim period	\$0.00
Line 150	Total eligible interest on commercial mortgages for the claim period	\$0.00
Line 155	Total eligible expenses for the claim period (Line 120 + Line 130 + Line 140 + Line 150)	\$343,954.00
Line 160	Total qualifying rent expenses for the claim period (maximum \$75,000 per property)	\$75,953.00
Line 170	Maximum rent expenses that can be claimed for the claim period (lesser of: Line 160; \$300,000; and, if applicable, \$300,000 multiplied by the percentage assigned per the agreement among affiliated entities claiming the rent subsidy)	\$75,953.00
Line 200	Revenue drop for the current period	99.60%
Line 210	Revenue drop for the previous period	99.10%
Line 220	Subsidy rate (maximum 65%)	65.00%
Line 300	Base Canada Emergency Rent Subsidy (Line 170 * Line 220)	\$49,369.45
Line 310	Lockdown support (subsidy top-up)	\$18,750.00
Line 320	<b>Total Canada Emergency Rent Subsidy (Line 300 + Line 310)</b>	<b>\$68,119.45</b>



Your application has been received. Your confirmation number is: 147705

Your claim will be reviewed within 10-15 business days. Any payment resulting from this application will be made using the direct deposit or mailing address information we have on file for your account.

Business number: 101851210 ZA0001

Business name: PEACE BRIDGE DUTY FREE INC

Period covered: 2020-09-27 to 2020-10-24

Filing date: 2020-11-30

### Claim summary

Line 110	Number of properties eligible for the rent subsidy	2
Line 120	Total eligible rent for the claim period	\$304,663.16
Line 130	Total eligible property taxes for the claim period	\$4,636.00
Line 140	Total eligible property insurance for the claim period	\$3,530.00
Line 150	Total eligible interest on commercial mortgages for the claim period	\$0.00
Line 155	Total eligible expenses for the claim period (Line 120 + Line 130 + Line 140 + Line 150)	\$312,829.16
Line 160	Total qualifying rent expenses for the claim period (maximum \$75,000 per property)	\$76,547.44
Line 170	Maximum rent expenses that can be claimed for the claim period (lesser of: Line 160; \$300,000; and, if applicable, \$300,000 multiplied by the percentage assigned per the agreement among affiliated entities claiming the rent subsidy)	\$76,547.44
Line 200	Revenue drop for the current period	99.11%
Line 210	Revenue drop for the previous period	99.06%
Line 220	Subsidy rate (maximum 65%)	65.00%
Line 300	Base Canada Emergency Rent Subsidy (Line 170 * Line 220)	\$49,755.84
Line 310	Lockdown support (subsidy top-up)	\$0.00
<b>Line 320</b>	<b>Total Canada Emergency Rent Subsidy (Line 300 + Line 310)</b>	<b>\$49,755.84</b>



September 22, 2021

**Via Registered Mail & Email - gohara@dutyfree.ca**

**Gregory G. O'Hara**  
 President, CEO  
 Peace Bridge Duty Free Inc.  
 1 Peace Bridge  
 PO BOX 339 STN Main  
 Fort Erie, Ontario  
 L2A 5N1

**Christopher M. Stanek**  
 Direct +1 416 862 4369  
 christopher.stanek@gowlingwlg.com  
 File no. K0565679

Dear Mr O'Hara:

**Re: Buffalo and Fort Erie Public Bridge Authority and Peace Bridge Duty Free Inc.**

I am writing in response to your September 20, 2021 letter and the attachments thereto.

We note that the information you provided was repeatedly requested by our client but you failed to do so until after receiving a Notice of Default. Indeed, our client's letter to you dated July 15, 2021 stated: "Multiple times we have requested that you provide dates of application and approval for each claim period under the CERS program and you continue to ignore these requests".

My client is frustrated that not only did you ignore these requests you have also chosen to delay applications and payments under the CERS program demonstrating little regard for your landlord's financial circumstances. For example:

- You have only remitted CERS payments for claim periods that ended on January 16, 2021,
- For claim periods 4-6 you waited until almost the last day to file your applications, effectively delaying CERS payments to my client by up to six months
- Two days ago you filed four applications for claim periods 7-10 when they could have been filed months ago
- You provided no evidence that you have filed for claim periods 11-12 even though you are eligible to do so
- You received a CERS payment on August 12, 2021 but have yet to remit it to my client. Likewise, your July 12, 2021 payment was not remitted until September 8, 2021.

Please note that the full amount of rent set out in the Lease remains due and owing. Notwithstanding the eviction moratorium, the default concerning the rent due and owing has not been cured.



We acknowledge the Duty Free store did re-open on September 19, 2021. Our client expects replenishment of the security deposit within the next seven days.

Sincerely,

Gowling WLG (Canada) LLP

A handwritten signature in black ink, appearing to read "Christopher M. Stanek", with a long horizontal flourish extending to the right.

Christopher M. Stanek

CMS:cc

Bcc: Client



1153

This is Exhibit “F” referred to in the Affidavit of Jim Pearce sworn remotely this 12<sup>th</sup> day of December 2021.

A handwritten signature in blue ink, appearing to read 'Alexandra Teodorescu', written in a cursive style.

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*Commissioner for Taking Affidavits (or as may be)*

**Alexandra Teodorescu**



Summerside PE C1N 5Z7

1154

0004591

**Date Issued**

Nov 8, 2021

**Business number**

10185 1210 ZA0001

PEACE BRIDGE DUTY FREE INC  
C/O KAREN SHAUBEL  
P.O. BOX 339 STN MAIN  
FORT ERIE ON L2A 5N1

**Subject:** Canada Emergency Rent Subsidy (CERS) - Notice of (re)determination (period covered: **September 26, 2021 to October 23, 2021** )

We determined that PEACE BRIDGE DUTY FREE INC is eligible for the rent subsidy for this qualifying period.

Your entitlement is **\$15,507.10** (under subsection 152(3.4) of the Income Tax Act).

If the amount showing on this notice is different from what you claimed, we will send you an explanation of the change separately.

For more information on the CERS program, go to **canada.ca/rent-subsidy**.

If you disagree and want to file an objection, you have 90 days from the date of this notice. To learn more about your objection rights, go to **canada.ca/cra-complaints-disputes**.

If you are late with filing any of your returns, we encourage you to file them as soon as possible. We use your tax information to determine your eligibility for benefit and credit payments.

We may also hold any refunds or credits you are entitled to until you file all your outstanding returns.

You must keep your books and records in case we ask to see them later. For more information on how to keep adequate books and records, go to **canada.ca/taxes-records**.

If you need more information about this notice, call us at **1-800-959-5525**.

Thank you,

Bob Hamilton  
Commissioner of Revenue

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1155

1156

This is Exhibit “G” referred to in the Affidavit of Jim Pearce sworn  
remotely this 12<sup>th</sup> day of December 2021.

A handwritten signature in blue ink, appearing to read 'Alexandra Teodorescu', is positioned above a horizontal line.

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*Commissioner for Taking Affidavits (or as may be)*

**Alexandra Teodorescu**

1157

**From:** Jim Pearce  
**Sent:** Friday, November 12, 2021 8:30 AM  
**To:** nct@peacebridge.com  
**Subject:** Payment

Hi - information for CERS Oct 23rd Period is attached - payment went out yesterday.  
Regards,  
Jim



1158

PBA Remittance - Nov 11/21

Period 14/21  
Sep26-Oct23

PBDF store max	75,000.00
CERS rate	<u>20%</u>
	15,000.00

Previously paid Add'l Rent Insurance&Taxes	<u>(10,812.33)</u>
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Remitted to PBA	<u>4,187.67</u>
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Summerside PE C1N 5Z7

1159

0004591

**Date Issued**

Nov 8, 2021

**Business number**

10185 1210 ZA0001

PEACE BRIDGE DUTY FREE INC  
C/O KAREN SHAUBEL  
P.O. BOX 339 STN MAIN  
FORT ERIE ON L2A 5N1

**Subject:** Canada Emergency Rent Subsidy (CERS) - Notice of (re)determination (period covered: **September 26, 2021 to October 23, 2021** )

We determined that PEACE BRIDGE DUTY FREE INC is eligible for the rent subsidy for this qualifying period.

Your entitlement is **\$15,507.10** (under subsection 152(3.4) of the Income Tax Act).

If the amount showing on this notice is different from what you claimed, we will send you an explanation of the change separately.

For more information on the CERS program, go to **canada.ca/rent-subsidy**.

If you disagree and want to file an objection, you have 90 days from the date of this notice. To learn more about your objection rights, go to **canada.ca/cra-complaints-disputes**.

If you are late with filing any of your returns, we encourage you to file them as soon as possible. We use your tax information to determine your eligibility for benefit and credit payments.

We may also hold any refunds or credits you are entitled to until you file all your outstanding returns.

You must keep your books and records in case we ask to see them later. For more information on how to keep adequate books and records, go to **canada.ca/taxes-records**.

If you need more information about this notice, call us at **1-800-959-5525**.

Thank you,

Bob Hamilton  
Commissioner of Revenue

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1160

This is Exhibit “H” referred to in the Affidavit of Jim Pearce sworn remotely this 12<sup>th</sup> day of December 2021.

A handwritten signature in blue ink, appearing to read "Alexandra Teodorescu".

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*Commissioner for Taking Affidavits (or as may be)*

**Alexandra Teodorescu**

1161

**LAND BORDER DUTY FREE SHOP AUTHORIZATION**

Made in triplicate as of the 27th day of January, 2015

**BY:**

**LIQUOR CONTROL BOARD OF ONTARIO**  
55 Lake Shore Blvd. East  
Toronto, Ontario  
M5E 1A4  
(the "LCBO")

**TO:**

**PEACE BRIDGE DUTY FREE INC.**  
P. O. Box 339  
Peace Bridge Plaza  
Fort Erie, Ontario  
L2A 5N1  
(the "Operator")

**WHEREAS** the LCBO, pursuant to the *Liquor Control Act*, R.S.O. 1990, c. L. 18, has the power to sell liquor and to control the sale, transportation and delivery of liquor in Ontario;

**AND WHEREAS** the Operator is licensed to operate a Duty Free Shop at or near the Border Crossing Point at **Fort Erie, Ontario** under a licence issued by Canada Border Services Agency pursuant to the *Customs Act*, R.S.C. (2nd Supp.) 1985, c.1, as amended and Regulations made thereto;

**AND WHEREAS** pursuant to the Regulations Respecting Duty Free Shops made under the Customs Act, the written approval of the LCBO is required to sell intoxicating liquor in Duty Free Shops in Ontario;

**AND WHEREAS** the LCBO has granted such approval with respect to the Shop described in this Authorization upon the terms and conditions of this Authorization;

**NOW THEREFORE** the Operator is authorized to purchase Intoxicating Liquor from the LCBO and to sell Intoxicating Liquor from the Shop solely in accordance with the terms and conditions of this Authorization, as follows:

**1. DEFINITIONS AND INTERPRETATION**

In this Authorization, unless the subject matter or context is inconsistent therewith, the following expressions shall have the following meanings respectively:

- 1.1 "Border Crossing Point"** means a place on the international border between Canada and the United States at which there is a Canada Customs Office.
- 1.2 "Duty Free Product Assortment List"** means the LCBO's list of the products for which the LCBO regularly maintains a separate inventory for filling duty free orders, as amended by the LCBO from time to time.
- 1.3 "Duty Free Shop"** means "duty free shop" within the meaning of the *Customs Act*, R.S.C. (2nd Supp.) 1985, c.1, as amended.

- 1.4 "Eligible Ontario Wine" means Ontario wine made by an Eligible Winery that is not a product included by the LCBO on the Duty Free Product Assortment List.
- 1.5 "Eligible Winery" means a person holding a manufacturer's licence issued under the *Liquor Licence Act* who has been authorized by the LCBO to sell Eligible Ontario Wine.
- 1.6 "Intoxicating Liquor" means "intoxicating liquor" within the meaning of the *Importation of Intoxicating Liquors Act*, R.S.C. 1985 c. I-4, as amended, and includes all "beer", "liquor", "spirits" and "wine" within the meaning of the *Liquor Control Act* R.S.O. 1990, c. L. 18, as amended.
- 1.7 "Landed Cost" means the amount paid by the LCBO to purchase Intoxicating Liquor including all transportation and freight charges incurred F.O.B. the Warehouse designated by the LCBO, together with any tax, charge or levy which the LCBO is required by law from time to time to pay but shall exclude all charges, duties, levies and taxes not applicable to Intoxicating Liquor sold in a Duty Free Shop.
- 1.8 "Licence" means the licence issued to the Operator by Canada Border Services Agency under the *Customs Act*, R.S.C. (2nd Supp.) 1985, c.1, as amended and Regulations made thereunder to operate a Duty Free Shop in the premises at the **Border Crossing Point at Fort Erie, Ontario**.
- 1.9 "Mark-up" means the amount set from time to time by the LCBO in accordance with this Authorization to be added to the LCBO's Landed Cost for purposes of calculating the Operator's Purchase Price of Intoxicating Liquor.
- 1.10 "Purchase Price" means the amount to be paid from time to time by the Operator to the LCBO under this Authorization for the purchase of Intoxicating Liquor.
- 1.11 "Sale Price" means the amount at which the Operator may sell Intoxicating Liquor from time to time in accordance with this Authorization.
- 1.12 "'Shop" means the premises at the Border Crossing Point at **Fort Erie, Ontario**, from which the Operator is permitted by the Licence to operate a Duty Free Shop, and will include any office and storage area adjacent to or close to the said premises which are used in conjunction with the duty free business and any other premises permitted by the Licence and approved by the LCBO in writing.

## 2. TERM

This Authorization shall be for a **ten (10)** year term commencing on **January 27, 2015** and ending on **January 26, 2025**, unless terminated earlier in accordance with the provisions of this Authorization.

## 3. AUTHORIZATION TO PURCHASE AND SELL INTOXICATING LIQUOR AND PRICING

3.1 The LCBO hereby authorizes the Operator:

- (a) to purchase Intoxicating Liquor only from the LCBO or as otherwise directed herein or by written notice signed by the President or the General Counsel of the LCBO from time to time; and

- (b) to sell Intoxicating Liquor from the Shop only to persons who are about to leave Canada, and who are entitled to purchase Intoxicating Liquor pursuant to the laws of the Province of Ontario and Canada,

in accordance with the terms and conditions of this Authorization.

- 3.2** The LCBO shall determine and establish, by giving at least thirty (30) days written notice to the Operator, the Purchase Price at which the Operator may purchase Intoxicating Liquor from the LCBO and such price shall be calculated by adding the Mark-Up set by the LCBO in writing from time to time to the LCBO's Landed Cost for the Intoxicating Liquor.
- 3.3** The LCBO shall advise the Operator of the Mark-Up applicable to all types of Intoxicating Liquor as determined by the LCBO from time to time. The LCBO may at any time change the Mark-Up applicable to any type of Intoxicating Liquor by giving at least ten (10) days written notice thereof to the Operator and the changed Purchase Price resulting therefrom, which will be effective and binding on the Operator on the effective date specified in the notice. Subject to Section 3.6, the maximum Mark-Up that will be set by the LCBO is thirty percent (30%) of the LCBO's Landed Cost.
- 3.4** The maximum Sale Price at which the Operator may sell Intoxicating Liquor shall be 225% of the Purchase Price paid by the Operator to the LCBO to purchase the Intoxicating Liquor.
- 3.5** The Operator may request the LCBO in writing to increase the maximum Sale Price calculated under Section 3.4 for any specified Intoxicating Liquor product and, within twenty (20) Business Days after the receipt of such written request, the LCBO shall, by written notice, grant or deny such request or, with the consent of the Operator, vary the increase so requested.
- 3.6** Despite Section 3.3, where the LCBO grants or varies the increase to the maximum Sale Price requested under Section 3.5, the LCBO shall, by written notice, increase the Purchase Price for such product by an amount that is one-half of the increase granted under Section 3.5 to the maximum Sale Price for the product.
- 3.7** Where an increase to the maximum Sale Price has been granted under Section 3.5 for any Intoxicating Liquor product, the Operator may request the LCBO in writing to reduce such increased maximum Sale Price to an amount that is not lower than the maximum Sale Price permitted under Section 3.4 for the product and, within twenty (20) Business Days after the receipt of such written request, the LCBO shall, by written notice, grant such request or, with the consent of the Operator vary the decrease so requested.
- 3.8** When the LCBO grants or varies the decrease to the maximum Sale Price requested under Section 3.7, it shall also reduce the Purchase Price for the product as increased under Section 3.6, by deducting therefrom an amount equal to one-half of the decrease granted under Section 3.7.
- 3.9** Any notice given by the LCBO pursuant to this section shall state the date upon which any increase or decrease or other change shall become effective and such notice must be signed by any one of the President, the Senior Vice President of Finance and Administration or the General Counsel of the LCBO.



- 3.10** The Operator shall purchase Intoxicating Liquor to be sold in the Shop only from the LCBO, or as otherwise directed herein or by written notice signed by the Chair, the President or the General Counsel of the LCBO from time to time, at the Purchase Price set by the LCBO from time to time. However, the Operator may, in accordance with procedures for ordering, purchasing, and delivering issued to the Operator by the LCBO from time to time: (a) purchase beer made in Ontario from either Brewers Retail Inc. or from a manufacturer authorized by the Alcohol and Gaming Commission of Ontario to sell such beer to the LCBO; and (b) purchase Eligible Ontario Wine from an Eligible Winery, acting on behalf of the LCBO. The Operator will purchase such beer or Eligible Ontario Wine at the applicable price approved by the LCBO from time to time and not at the Purchase Price described in Section 3.2. The Operator shall pay the Purchase Price for Eligible Ontario Wine to the applicable Eligible Winery that is acting on behalf of the LCBO, and not to the LCBO, as would otherwise be required pursuant to Section 4.5.
- 3.11** The Operator shall not transfer Intoxicating Liquor from the Shop without the written approval of the LCBO. This provision shall survive any expiration or revocation of this Authorization.
- 3.12** The LCBO agrees that, except for increases in the Purchase Price for an Intoxicating Liquor product resulting from the application of Section 3.6, the Purchase Price for any Intoxicating Liquor product at any time shall not be greater than the price payable to the LCBO at such time for such product by any operator of a Duty Free Shop located at a Border Crossing Point.

#### **4. PROCEDURES FOR PURCHASE AND SALE**

- 4.1** The LCBO shall sell to the Operator those brands of Intoxicating Liquor listed for sale by the LCBO in LCBO operated liquor stores in Ontario and/or in Ontario Duty Free Shops located at Border Crossing Points. In addition, the LCBO may, from time to time, sell to the Operator other types of Intoxicating Liquor upon such terms as the LCBO considers reasonable and for a Purchase Price determined in accordance with Section 3. At all times, the LCBO reserves the right to limit the number and size of brands it will sell to the Operator in order to ensure that the Operator maintains a reasonable inventory of and sells a representative selection of Intoxicating Liquor products furnished by various suppliers. The Operator will include within its purchases of Intoxicating Liquor products, some of the wines that a manufacturer of Ontario wine licensed under the *Liquor Licence Act*, is permitted to sell in Ontario and by doing so, the Operator shall be deemed to have satisfied its obligation under Section 10.2 with respect to Ontario wines.
- 4.2** The Operator shall purchase Intoxicating Liquor in case-lots from the LCBO according to the procedures for ordering set from time to time by the LCBO.
- 4.3** The LCBO will endeavour to fill all orders of Intoxicating Liquor received from the Operator as quickly as possible, but where it cannot fill an order for any reason or where there will be a delay, the LCBO will notify the Operator promptly and the Operator will not be entitled to any claim, demand or legal remedy of any kind against the LCBO for damages resulting from any such delay or failure to supply Intoxicating Liquor to the Operator for any reason.

- 4.4 The Operator may contract, at its own expense, carriers to transport Intoxicating Liquor to the Operator. Otherwise, the Operator will be responsible for directly paying the LCBO's contracted carrier for the full costs of transporting Intoxicating Liquor to the Operator at the rate paid by the LCBO from time to time for transporting its goods. Such amount will be invoiced by the LCBO's contracted carrier directly to the Operator. The LCBO's general practice is to choose its carriers as a result of an independent bidding process.
- 4.5 The Operator shall pay the LCBO the Purchase Price for all Intoxicating Liquor within twenty (20) days of delivery of the Intoxicating Liquor to the Operator. Payment must be made by cash, cheque, money order or electronic wire transfer of funds to the LCBO's bank account as designated from time to time by the LCBO in writing. If the Operator does not pay such amount to the LCBO on or before the 20th day following such delivery (the "Due Date"), then such overdue amounts shall bear interest, accruing daily from the Due Date until the date such amount is received by the LCBO, at a rate equal to 18% per annum. The Operator shall pay such interest to the LCBO within seven (7) days of the LCBO's written demand therefor. Where payment is repetitively late and the LCBO has not revoked the Authorization, the Operator shall, as and when required by the LCBO and without limitation of the LCBO's right to collect interest on such late payments hereunder, prepay the LCBO in full for all future orders.
- 4.6 Title to the Intoxicating Liquor shall pass to the Operator at the time it is paid for by the Operator. However Intoxicating Liquor shall be at the risk of the Operator from the time it is delivered to the Operator. Where any Intoxicating Liquor that is delivered to the Operator is not paid for by the Operator within the required time, the LCBO may at any time while such payment is overdue, and in addition to any other remedies it may have at law, enter the Shop and seize the liquor and may refuse to sell any more Intoxicating Liquor to the Operator until the amount owing is paid in full.
- 4.7 All Intoxicating Liquor purchased by the Operator shall be sold only from the Shop pursuant to the terms of this Authorization and the Operator shall, at all times, comply with the *Liquor Control Act*, the *Liquor Licence Act*, the *Customs Act*, the Regulations passed thereunder, and all amendments thereto.
- 4.8 The Operator shall, when ordered by the LCBO, cease selling any specified brand of Intoxicating Liquor where the LCBO has determined, in its sole discretion, that continued sale may put the health or safety of the public at risk. In such circumstances the Operator shall, if requested by the LCBO, return to the LCBO at the LCBO's cost the Operator's supply of the brand of Intoxicating Liquor specified. The LCBO shall reimburse the Operator in an amount equal to the Purchase Price paid by the Operator for the Intoxicating Liquor.
- 4.9 The LCBO hereby authorizes the Operator to store Intoxicating Liquor at the Warehouse, provided that the LCBO may, in its absolute discretion, terminate or suspend such authorization upon any termination or suspension of the Canada Border Security Agency's approval of such Warehouse premises as an off-site storage facility for the Operator's Duty Free Shop. The Operator may only receive and store Intoxicating Liquor at the Warehouse. The Operator shall not sell nor offer to sell Intoxicating Liquor at the Warehouse.

## 5. RESTRICTIONS ON TRANSFER OF RIGHTS

- 5.1 This Authorization and the rights and obligations hereunder may not be assigned, subcontracted, transferred or ceded by operation of law or otherwise. The rights of the Operator under this Authorization constitute a privilege and do not constitute personal property.
- 5.2 The LCBO may revoke this Authorization where there is a change of control or ownership of the Operator.
- 5.3 The Operator shall notify the LCBO immediately upon any change in its Articles of Incorporation or other incorporating documents or in the names of its directors or officers.
- 5.4 The Operator shall not permit the transfer, without the prior written consent of the LCBO, of any of its shares of a class that carries a voting right. The LCBO shall not unreasonably withhold such consent in the case of a transfer to a person, who, at the date of commencement of this Authorization owns one or more of the Operator's shares that carries a voting right or to a person to whom any such share has been subsequently transferred in accordance with the provisions of this subsection, but, in either event, only where such transfer does not constitute a change of effective control of the Operator.

## 6. BOOKS, RECORDS, AUDIT

- 6.1 The Operator shall maintain and to furnish to the LCBO upon request, a report in a form approved by the LCBO, showing the gross sales of all Intoxicating Liquor sold from the Shop, the Operator's inventory of Intoxicating Liquor, and any other similar information which the LCBO may from time to time require.
- 6.2 The Operator shall maintain invoices and books of account and records at the Shop showing the dates, Purchase Prices, and Sale Prices of all Intoxicating Liquor purchased and sold by the Operator together with any other information directed to be kept by the LCBO. In addition, the Operator will keep records of all amounts charged for placing advertising or promotional materials in the Shop together with invoices and agreements and other documentation relating thereto.
- 6.3 The Operator shall furnish to the LCBO upon written request therefor its financial statements relating to Intoxicating Liquor sales for its last fiscal year, duly prepared and certified by a chartered accountant together with:
  - (a) an income statement indicating separately all revenues and direct expenses related to Intoxicating Liquor purchased and sold by the Operator;
  - (b) statements of net sales, product cost and direct margins for sales of Intoxicating Liquor; and
  - (c) a statement showing the percentage that sales of Intoxicating Liquor are of total sales of all other merchandise made from the Shop.
- 6.4 Books and records relating to the sale of Intoxicating Liquor in the Shop and with respect to placing advertising and promotional materials in the Shop shall be open to the LCBO at the Shop or in any other premises or place under the Operator's control for the purposes of audit and inspection by the LCBO and for the taking of extracts therefrom at any time.

- 6.5 An inventory and inspection of all Intoxicating Liquor held by the Operator may be undertaken by the LCBO at any time and the LCBO may enter the Shop at any time for such purpose.
- 6.6 The Operator shall maintain and shall furnish to the LCBO, immediately upon the written request of the LCBO, in order to investigate compliance with Section 7.1(h), a list of the names, dates of birth and addresses of all employees or persons who work or have worked in the Shop at any time during this Authorization and shall also provide the time during which each such person worked or was employed in the Shop.
- 6.7 All books, records and reports required to be kept by the Operator pursuant to the terms of this Authorization shall be retained for at least two (2) years following the expiration or revocation of this Authorization.

## 7. STORE OPERATION

### 7.1 The Operator shall:

- (a) keep and maintain the Shop in a clean and sanitary condition and conform with all by-laws and regulations from time to time in force which may affect the Shop;
- (b) employ a sufficient number of capable staff to ensure that persons desiring to purchase Intoxicating Liquor receive courteous, prompt, attentive and informative service;
- (c) employ only such personnel as will ensure a high standard of service to the public and who will conduct themselves politely and with inoffensive conduct at all times;
- (d) comply with all statutes, laws, by-laws, licences, regulations, permits, orders, ordinances and requirements of any federal, provincial or municipal authority;
- (e) abide by all applicable rules, directives, guidelines and policy statements of which the LCBO gives notice to the Operator from time to time;
- (f) ensure that Intoxicating Liquor products are displayed in the Shop in a dominant merchandising position, to the satisfaction of the LCBO;
- (g) ensure that the lay-out and setting of the Shop enhance the sale of Intoxicating Liquor;
- (h) ensure that no person under the age of eighteen (18) years is permitted to sell Intoxicating Liquor from the Shop; and
- (i) use its best efforts at all times to actively sell Intoxicating Liquor products in the Shop.

## 8. INDEMNITY

The Operator shall, at all times, protect, indemnify and save harmless the LCBO and its directors, officers, employees and agents against and from any and all losses, damages, costs, liabilities, expenses (including legal fees), claims, actions, demands and proceedings including, without limitation, claims for personal injury or property damage, which are caused by or arise out of, either directly or indirectly, any act or omission of the Operator or of any agent, contractor, employee, customer, invitee, officer, shareholder, director, volunteer or representative of the Operator in connection with this Authorization.

## 9. INSURANCE

9.1 The Operator shall, at its sole cost and expense, obtain and maintain in full force and effect at all times throughout the term of this Authorization insurance satisfactory to the LCBO, including without limitation, Comprehensive General Liability insurance insuring the Operator, its servants, agents, contractors and persons for whom the Operator is in law responsible, for all amounts it may become obliged to pay as damages by reason of bodily injury to any person (including death), or damage to or destruction of any property, with coverage for any one occurrence or claim of not less than Five Million Canadian Dollars (C\$5,000,000.00). The Comprehensive General Liability insurance shall include coverage for products and completed operations, liquor law liability, blanket contractual liability, employers or contingent employers' liability and non-owned automobile liability.

9.2 The insurance required pursuant to Section 9.1 must:

- (a) include the LCBO as an additional named insured but only in respect of and during service performed by the Operator under this Authorization;
- (b) contain a cross-liability and severability of interest clause;
- (c) include a provision requiring the insurer to give at least thirty (30) days prior written notice to the LCBO in the event that the policy of insurance is to be adversely changed or cancelled; and
- (d) provide that the LCBO shall be insured notwithstanding any act, omission, negligence or misrepresentation of the Operator which might otherwise result in the avoidance of a claim made by the LCBO under the policies, and that the policies will not be affected or invalidated by any act, omission or negligence of any third party which is not within the knowledge or control of the Operator and the LCBO or either of them.

9.3 The Operator shall arrange for the completion and submission to the LCBO of certificates of such insurance within thirty (30) days of the date of this Authorization, and thereafter immediately following every amendment, renewal or endorsement of such insurance policies. The Operator shall furnish the LCBO with a copy of the policies of such insurance upon request by the LCBO.

9.4 If the Operator does not at any time comply with the provisions of Sections 9.1, 9.2 or 9.3, then in addition to any other remedy which may be available to the LCBO, the LCBO may, at its option:

- (a) suspend or revoke this Authorization immediately upon written notice, without incurring any liability, penalty or charge;
- (b) obtain and pay for the insurance to be maintained by the Operator, on the Operator's behalf, and the Operator shall reimburse the LCBO immediately upon demand for all costs incurred by the LCBO in doing so;
- (c) withhold payment of any amounts due by the LCBO to the Operator; or
- (d) any or all of the above.

**9.5** The Operator shall at all times operate the Shop under such bonds as are required by Canada Border Services Agency.

## **10. SALES PROMOTIONS AND ADVERTISING**

- 10.1** Except for advertising or promotional agreements that are entered into and carried out in accordance with the requirements of this section, the Operator shall not directly or indirectly enter into any agreement, arrangement, concession or understanding, either oral or written with any manufacturer, brewer, distiller, producer, bottler or distributor of Intoxicating Liquor, their servants, agents, employees or anyone acting under their authority or direction or with any other person or group of persons whereby the Operator covenants or agrees, directly or indirectly to purchase, sell, promote the sale of, or otherwise give any preference to (including, without limitation, a preference as to the routine shelf position or space occupied by) any particular brand of Intoxicating Liquor produced, bottled, distributed or represented by any of such persons.
- 10.2** At all times a representative number of brands and types of Intoxicating Liquor, in reasonable quantities, shall be kept available for sale in the Shop to the satisfaction of the LCBO.
- 10.3** Neither the Operator nor any employee or agent of the Operator shall act as the agent or representative of any manufacturer, brewer, distiller, producer, bottler, distributor, or representative of any Intoxicating Liquor or of anyone acting under their authority or direction.
- 10.4** Neither the Operator nor any employee or agent of the Operator shall, except in accordance with the requirements of this section, accept from or give, either directly or indirectly, any gift, loan, or thing of value or material benefit from or to as the case may be, any manufacturer, brewer, distiller, producer, bottler, or distributor of Intoxicating Liquor, their servants, agents, employees or anyone acting under their authority or direction or any other person or group of persons.
- 10.5** The Operator shall comply with all advertising requirements imposed under the *Liquor Licence Act*, as amended and the Regulations made thereto irrespective of the person on whom such requirement is actually imposed.
- 10.6** The Operator may charge for placing advertising or promotional materials in the Shop provided that the rates charged for placing such advertising or promotional materials do not exceed the normal rates charged for similar type, quality and size advertising or promotional materials in the vicinity or in similar stores in which Intoxicating Liquor is



permitted for sale, and the Operator shall have available a printed schedule of the rates and all related charges for the placement of advertising or any promotion in the Shop, which schedule shall be provided without charge to any person requesting such rates and shall be provided to the LCBO upon the LCBO's written request therefor.

- 10.7 The sale of advertising space in the Shop by the Operator shall not, in any way, be conditional upon the quantity of a particular brand or type of Intoxicating Liquor selected for purchase by the Operator from the LCBO or conditional upon the establishment of the Sale Price charged by the Operator for a particular brand or type of Intoxicating Liquor.
- 10.8 Any advertising of products by the Operator shall be carried out in such a manner as to ensure that all manufacturers of all liquor products sold in the Shop are at all times given a reasonable opportunity to advertise and promote their products in the Shop.
- 10.9 All Intoxicating Liquor products will be displayed in the Shop by the Operator in a manner that is at all times satisfactory to the LCBO.
- 10.10 Neither the Operator nor any employee, agent or representative of the Operator shall directly or indirectly give any gift, loan, thing of value or material benefit to any member, employee, agent or representative of the LCBO or the Alcohol and Gaming Commission of Ontario.

## 11. SUSPENSION OR REVOCATION

- 11.1 The LCBO may revoke or suspend this Authorization immediately, in whole or in part, without liability, by written notice to the Operator where the Operator winds up, liquidates, ceases to carry on business or to exist or where:
  - (a) a trustee, (including a trustee in bankruptcy) receiver or receiver and manager is appointed in respect of the Operator or the property of the Operator and is not discharged within thirty (30) days thereafter; or
  - (b) any proceeding is commenced by the Operator for any relief under any bankruptcy or insolvency laws or laws relating to any reorganization, arrangement, compromise or winding up of the Operator and such proceeding remains undismissed or unstayed for thirty (30) days thereafter.
- 11.2 Notwithstanding anything to the contrary herein, the LCBO may, by written notice, immediately revoke this Authorization at any time in order to comply with any legislation, judgment, order or ruling of any kind affecting the LCBO, and such revocation will be effective upon giving thirty (30) days written notice thereof to the Operator.
- 11.3 This Authorization may be suspended, in whole or in part, immediately by the LCBO without liability, upon written notice and/or subject to Section 11.4, may be revoked, in whole or in part, by the LCBO immediately, without liability, upon written notice:
  - (a) upon any termination or during any suspension of either the Licence or of the Operator's lease or right to occupy the Shop;
  - (b) where there is a breach of any provision of this Authorization;

- (c) where the Operator or any of its employees, agents, directors, officers or voting shareholders exhibit conduct, which, in the opinion of the LCBO, acting reasonably, is cause for suspension or revocation;
- (d) where the volume of Intoxicating Liquor purchased by the Operator from the LCBO for sale in the Shop is no longer sufficient in the opinion of the LCBO, to warrant the continued sale of Intoxicating Liquor in the Shop;
- (e) where the Operator or any of its employees, agents, directors, officers or voting shareholders exhibit conduct, which in the opinion of the LCBO, acting reasonably, is unsatisfactory; or
- (f) where the Operator or any of its employees, agents, directors, officers or voting shareholders is charged with an offence against any statute or regulation, which, in the opinion of the LCBO, acting reasonably, is cause for suspension or revocation.

**11.4** The LCBO shall, before revoking this Authorization under Section 11.3, give to the Operator:

- (a) thirty (30) days written notice of the proposed revocation;
- (b) a description of the grounds upon which the LCBO proposes to revoke the Authorization; and
- (c) ten (10) days from the date of such notice within which to respond and make written representations as to why this Authorization should not be revoked.

**11.5** Where the LCBO suspends this Authorization, in whole or in part, it may impose such conditions as it deems necessary and the Operator will abide by such conditions. The exercise of any right of suspension under this Authorization does not prevent the LCBO from also exercising its right of revocation of this Authorization.

**11.6** The LCBO may, by written notice, reinstate the rights or obligations under this Authorization at any time when it is satisfied that the cause for suspension no longer exists and may impose such further conditions as it deems necessary.

**11.7** If this Authorization is revoked, suspended or it expires, then the Operator shall not sell or transfer from the Shop any Intoxicating Liquor remaining in its possession without the written consent of the LCBO, and shall comply with the LCBO's instructions regarding any Intoxicating Liquor remaining in its possession. In such circumstances, the LCBO may enter the Shop or any other place where the Operator has Intoxicating Liquor and may take possession of the Intoxicating Liquor if it deems necessary. If consent to transfer the Intoxicating Liquor from the Shop is not given, then the LCBO shall purchase the Intoxicating Liquor at an amount equal to the Purchase Price originally paid by the Operator for it.

**11.8** The LCBO will not be responsible for any losses, costs, damages or any other type of compensation arising by virtue of the operation, suspension or revocation of this Authorization or of any right or obligation contained herein. The LCBO shall not, by reason of the suspension, revocation or expiration of the Authorization, be responsible to the

Operator for any loss, compensation, reimbursement, or damages (i) on account of loss of prospective profits on anticipated sales nor on account of expenditures, investments, leases or commitments made in connection with the business or goodwill of the Operator; or (ii) arising by virtue of the operation or cessation of operation of this Authorization, any right or obligation contained herein, or any decision not to renew or extend the term of this Authorization upon its expiry.

## **12. CONFLICT OF INTEREST**

- 12.1** If a member of the Legislative Assembly of Ontario or any Ontario or Federal Government officer or employee, or any member of the LCBO or employee of the LCBO or of the Alcohol and Gaming Commission of Ontario has or proposes to have any connection to the Operator or any direct or indirect interest in, financial or otherwise, the Operator or in the management of the Shop, such person shall be deemed to have a potential conflict of interest.
- 12.2** If the Operator, or any officer, director, shareholder or employee of the Operator has or proposes to have any direct or indirect interest in, financial or otherwise, or connection to any particular manufacturer, distributor, or bottler of Intoxicating Liquor that he does not have with other manufacturers, distributors or bottlers of Intoxicating Liquor, then the Operator shall be deemed to have a potential conflict of interest.
- 12.3** The Operator must promptly inform the LCBO whenever a potential conflict of interest referred to in Section 12.1 or Section 12.2 occurs. The Operator shall provide to the LCBO the particulars of the nature and extent of such interest or connection, the name or names of the persons or entities involved and all other relevant details, and such further information as the LCBO may request.
- 12.4** Where, in the opinion of the LCBO:
- (a) any person with a potential conflict of interest described in Section 12.1 could be, or could be perceived to be, able to act in such capacity to further the Operator's private interest; or
  - (b) the interest, connection, or association described in Section 12.2, may result in the promotion in the Shop of the sale of one or more particular brands of Intoxicating Liquor in preference to another;

then the LCBO, in its absolute discretion, may revoke this Authorization or suspend it until such time as it is satisfied that such conflict of interest no longer exists.

## **13. GENERAL**

### **13.1 Entire Understanding**

This Authorization constitutes the entire understanding between the parties with respect to the subject contained herein and supersedes all prior agreements, negotiations, proposals and representations, whether oral, written or otherwise relating to such subject matter.

**13.2 Successors**

The rights granted to the Operator under this Authorization are intended to be personal in nature and shall not enure to the benefit of any successor, heir, executor or administrator of the Operator.

**13.3 Waiver**

No waiver of any breach of any provision of this Authorization shall be effective unless expressed in writing and signed by the LCBO. Unless otherwise expressly provided, the extent of any waiver granted shall be restricted to the specific breach waived and shall not extend to any further occurrence of such breach.

**13.4 Parties Independent**

The parties to this Authorization are mutually independent and this Authorization shall not be deemed to create or constitute a partnership, joint venture, agency or other form of joint enterprise between the parties. None of the parties shall have the right or authority or shall represent that they have the right or authority to undertake any obligations of any nature on behalf of the other party.

**13.5 Survival**

The provisions of Sections 3.11, 6, 8 and 11 of this Authorization shall survive any suspension, surrender, revocation or expiration of this Authorization.

**13.6 Notices**

Any notices to be given or required under this Authorization shall be in writing and shall be deemed to have been given when personally delivered, transmitted by telecopy or other electronic means of communication or mailed by registered or certified mail, postage fee paid to the following address:

To the **Operator**:  
P. O. Box 339  
Peace Bridge Plaza  
Fort Erie, Ontario  
L2A 5N1

Attention: *Mr. Gregory G. O'Hara*  
~~Mr. George W. Slipp~~, Chief Executive Officer  
Fax Number: (905) 871-6335



To the **LCBO**:  
55 Lake Shore Boulevard East  
Toronto, Ontario  
M5E 1A4

Attention: Acting Director, Corporate Affairs  
Fax Number: (416) 864-2431

Notice may be given by any of the methods prescribed as follows:

- (a) by delivery, effective at the time of actual delivery;
- (b) by telex, facsimile or other form of electronic communication, effective on the next business day; or
- (c) registered or certified mail, effective on the third (3rd) business day following the deposit of a properly addressed form of notice in the mail; provided however, in the event of a disruption of regular postal service notice shall not be given by mail.

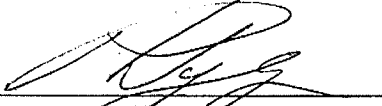
### 13.7 Rights and Remedies.

The rights and remedies of the Operator and the LCBO under this Agreement are cumulative and are in addition to and not in substitution for any rights or remedies provided by law; and any single or partial exercise by the Operator or the LCBO of any right or remedy for default or breach of any term, covenant, condition or agreement herein contained shall not affect any other rights of the Operator or the LCBO and shall not be deemed to be a waiver of, or alter, affect or prejudice any other right or remedy to which either party may be lawfully entitled in respect of the same default or breach.

### 13.8 Set Off

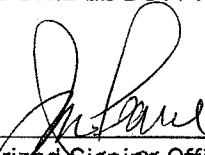
Despite any other provisions of this Authorization, upon the failure of the Operator to pay to the LCBO, as and when due, any amount which becomes payable by the Operator to the LCBO pursuant to the provisions of this Authorization, the LCBO shall have the right, at its option, to deduct any and all such amounts then remaining unpaid from any amounts which are or become payable by the LCBO to the Operator.

### LIQUOR CONTROL BOARD OF ONTARIO

Per:   
Name: Penny Wyger  
Title: Senior Vice President, General Counsel & Corporate Secretary

The undersigned hereby acknowledges receipt of the foregoing terms and conditions.

### PEACE BRIDGE DUTY FREE INC.

Per:   
Authorized Signing Officer  
Name: Jones Pearce  
Title: General Manager

# LCBO

1175

Address:

Peace Bridge Duty Free Inc.  
P.O. Box 339  
Peace Bridge Plaza  
Fort Erie, Ontario  
L2A 5N1

**Elizabeth Kruzel**

Sr. Policy Advisor  
Corporate Affairs

elizabeth.kruzel@lcbo.com  
416-864-6820 tel  
416-864-2431 fax

55 Lake Shore Blvd. East  
Toronto, ON, M5E 1A4  
lcbo.com



Date:

November 16, 2017

Attention:

Jim Pearce

Dear Mr. Pearce:

Following on our e-mail and telephone exchanges enclosed please find in triplicate replacement the LCBO Land Border Duty Free Shop Authorization issued to Peace Bridge Duty Free Inc.

Please arrange for execution under corporate seal; retain one copy for your records and return the other two copies to my attention.

Directly that we receive the fully executed Authorizations I will engage colleagues in LCBO Legal Services to prepare the Amending Agreement that formally removes the 225% maximum sale price ceiling.

Thank you in advance for promptly attending to execution and returning the documents to LCBO Corporate Affairs.

I am very glad to have been assigned once again to provide policy and administrative support to Duty Free Operators.

Sincerely,

Elizabeth Kruzel-D'Cunha  
Sr. Policy Advisor, Corporate Affairs

Enclosure (3)

1176



1177

This is Exhibit "I" referred to in the Affidavit of Jim Pearce sworn  
remotely this 12<sup>th</sup> day of December 2021.

A handwritten signature in blue ink, appearing to read "Alexandra Teodorescu", written in a cursive style.

---

*Commissioner for Taking Affidavits (or as may be)*

**Alexandra Teodorescu**



Canada Border  
Services Agency

Agence des services  
frontaliers du Canada

191 Laurier Avenue, West  
12th floor  
Ottawa, Ontario  
K1A 0L8

191, rue Laurier Ouest  
12e étage  
Ottawa, Ontario  
K1A 0L8

1178

April 27, 2017

Jim Pearce  
Finance Manager  
Peace Bridge Duty Free Inc.  
Hamilton International Airport,  
P. O. Box 339,  
Peace Bridge Plaza  
Fort Erie, ON L2A 5N1

Dear Mr. Pearce,

Officials of the Canada Border Services Agency have completed their review of the information your company submitted to support the renewal of the duty free shop licence for Peace Bridge Duty Free Inc. located at the Hamilton International Airport in Hamilton, Ontario.

I am pleased to inform you that your licence has been renewed for a period commencing May 1, 2017, and ending April 30, 2027, subject to your continuing compliance with the legislative and policy requirements of the Duty Free Shop Program.

I take this opportunity to wish your company continued success.

Yours sincerely,

Kathleen Warburton  
Manager  
Commercial Registration  
[Kathleen.Warburton@cbsa-asfc.gc.ca](mailto:Kathleen.Warburton@cbsa-asfc.gc.ca)

Attachment: Licence

Canada



# AGRÉMENT de BOUTIQUE HORS TAXES

Il est certifié que :

a obtenu un agrément, conformément à la *Loi sur les douanes*, pour exploiter une boutique hors taxes à :

this                  day of        April/                  in the year  
ce              **27th**              jour de        **avril**                  de l'année        **2017**

**2027.04.30**





Canada Border  
Services Agency

Agence des services  
frontaliers du Canada

PROTECTED  
PROTÉGÉ **B** when completed  
une fois rempli

DUTY FREE SHOP  
APPLICATION/AMENDMENT

BOUTIQUE HORS TAXES  
DEMANDE/MODIFICATION

The information provided on this form is collected under the authority of Section 24 of the Customs Act for the purpose of assessing new applications, renewals and amendments to existing duty free shop operations. The information is used by Canada Border Services Agency in order to approve and track requests for new applications and amendments and is used to conduct a risk assessment to insure the individual (s) have no criminal or customs infractions. The information may be disclosed internally for risk assessment purposes. Individuals have the right of access to and/or can make corrections of their personal information under the Privacy Act - Section 12. The information collected is described within Info Source under the Duty Free Shops Program - CBSA PPU 007 which is detailed at <http://www.cbsa-asfc.gc.ca/>.

Les renseignements fournis sur ce formulaire sont recueillis en vertu de l'article 24 de la Loi sur les douanes aux fins d'évaluation des nouvelles demandes, des modifications et des renouvellements relatifs aux boutiques hors taxes. L'Agence des services frontaliers du Canada utilise ses renseignements dans le but d'approuver et de surveiller les nouvelles demandes et les demandes de modification ainsi que pour mener une évaluation des risques afin de s'assurer que les personnes en question n'ont pas commis d'infractions criminelles ou d'infractions relatives aux douanes. Les renseignements peuvent être divulgués à l'interne à des fins d'évaluation des risques. Les personnes ont le droit d'accéder à leurs renseignements personnels ou d'y apporter des corrections en vertu de l'article 12 de la Loi sur la protection des renseignements personnels. Les renseignements recueillis sont clairement indiqués dans la section réservée au Programme des boutiques hors taxes - ASFC PPU 007 du bulletin Info Source offert à l'adresse suivante <http://www.cbsa-asfc.gc.ca/>.

- ☒ Licence to operate / Agrément d'exploitation ☐ Licence amendment / Modification de l'agrément ☐ Amendment (Site/Building/Bond) / Modification (Emplacement/Immeuble/Garantie) ☐ Change in ownership / Changement de propriétaire

Applicant information - Renseignements du demandeur		Are site and building plans included? - Les plans de l'emplacement et de l'immeuble sont-ils inclus?	Licence to operate (Site applied for) / Agrément d'exploitation (Emplacement visé)
Name of applicant - Nom du demandeur <b>HAMILTON INTERNATIONAL DUTY FREE</b>		<input type="checkbox"/> Yes / Oui <input checked="" type="checkbox"/> No / Non	<input checked="" type="checkbox"/> Airport / Aéroport <input type="checkbox"/> Land border / Frontière terrestre
Mailing address - Adresse postale <b>Box 339 FORT ERIS ON</b>		Site Address - Adresse de l'emplacement <b>9300 AIRPORT RD MOUNT HOPE ON</b>	
Postal code - Code postal <b>L2A 5N1</b>	Telephone No. - N° de téléphone <b>705-871-5400</b>	Business Number - Numéro d'entreprise <b>10185-1210</b>	
Duty free shop legal name - Raison sociale de la boutique hors taxes <b>PEACE BRIDGE DUTY FREE INC</b>			

Legal status of applicant (Provide proof of Canadian citizenship) - Statut juridique du demandeur (Fournir une preuve de citoyenneté canadienne)

- ☒ Corporation ☐ Partnership / Société ☐ Sole proprietorship / Propriétaire unique ☐ Trust / Fiducie
- ☐ Canadian citizen - Citoyen canadien ☐ Landed immigrant - Immigrant reçu ☐ Canadian company - Compagnie canadienne

All shares must be owned by individuals who are Canadian citizens or landed immigrants. (Airports excluded)  
Les actionnaires doivent tous être des citoyens canadiens ou des immigrants reçus. (Aéroports exclus)

Licence Amendment (Provide certified copy of the amendment) - Modification de l'agrément (Fournir copie certifiée de la modification)

- ☐ Change in name - Changement au nom ☐ Suspension ☐ Cancellation - Annulation

Reasons for amendment - Motifs de la modification

Amendment (Site/Building/Bond) - Modification (Emplacement/Immeuble/Garantie)

Changes requested - Changements demandés

CANADA BORDER SERVICES AGENCY (CBSA) USE ONLY - RÉSERVÉ À L'AGENCE DES SERVICES FRONTALIERS DU CANADA (ASFC)

- ☒ Approved - Approuvée ☐ Not approved - Rejetée

Comments - Commentaires

*KH* Manager CRU 27 April 2017  
Authorized signature and title - Signature autorisée et titre Date

**Change in ownership structure (Provide certified copy of the amendment) - Modification à la structure de la propriété (Fournir copie certifiée de la modification)**

All shares must be owned by individuals who are Canadian citizens or landed immigrants.  
Provide proof of Canadian citizenship.  
(Airports excluded)

Les actionnaires doivent tous être des citoyens canadiens ou des immigrants reçus.  
Fournir une preuve de citoyenneté canadienne.  
(Aéroports exclus)

**CURRENT - ACTUELLE**
**REVISED - MODIFIÉE**

Name of applicant - Nom du demandeur

SEE ATTACHED

Name of applicant - Nom du demandeur

Address of residence - Adresse résidentielle

Address of residence - Adresse résidentielle

Postal code - Code postal

Telephone No. - N° de téléphone

Postal code - Code postal

Telephone No. - N° de téléphone

Date of birth - Date de naissance

Beneficial ownership interest  
Participation dans la propriété réelle \_\_\_\_\_ %

Date of birth - Date de naissance

Beneficial ownership interest  
Participation dans la propriété réelle \_\_\_\_\_ %

Name of applicant - Nom du demandeur

Name of applicant - Nom du demandeur

Address of residence - Adresse résidentielle

Address of residence - Adresse résidentielle

Postal code - Code postal

Telephone No. - N° de téléphone

Postal code - Code postal

Telephone No. - N° de téléphone

Date of birth - Date de naissance

Beneficial ownership interest  
Participation dans la propriété réelle \_\_\_\_\_ %

Date of birth - Date de naissance

Beneficial ownership interest  
Participation dans la propriété réelle \_\_\_\_\_ %

Name of applicant - Nom du demandeur

Name of applicant - Nom du demandeur

Address of residence - Adresse résidentielle

Address of residence - Adresse résidentielle

Postal code - Code postal

Telephone No. - N° de téléphone

Postal code - Code postal

Telephone No. - N° de téléphone

Date of birth - Date de naissance

Beneficial ownership interest  
Participation dans la propriété réelle \_\_\_\_\_ %

Date of birth - Date de naissance

Beneficial ownership interest  
Participation dans la propriété réelle \_\_\_\_\_ %

Name of applicant - Nom du demandeur

Name of applicant - Nom du demandeur

Address of residence - Adresse résidentielle

Address of residence - Adresse résidentielle

Postal code - Code postal

Telephone No. - N° de téléphone

Postal code - Code postal

Telephone No. - N° de téléphone

Date of birth - Date de naissance

Beneficial ownership interest  
Participation dans la propriété réelle \_\_\_\_\_ %

Date of birth - Date de naissance

Beneficial ownership interest  
Participation dans la propriété réelle \_\_\_\_\_ %

Name of applicant - Nom du demandeur

Name of applicant - Nom du demandeur

Address of residence - Adresse résidentielle

Address of residence - Adresse résidentielle

Postal code - Code postal

Telephone No. - N° de téléphone

Postal code - Code postal

Telephone No. - N° de téléphone

Date of birth - Date de naissance

Beneficial ownership interest  
Participation dans la propriété réelle \_\_\_\_\_ %

Date of birth - Date de naissance

Beneficial ownership interest  
Participation dans la propriété réelle \_\_\_\_\_ %

Name of applicant - Nom du demandeur

Name of applicant - Nom du demandeur

Address of residence - Adresse résidentielle

Address of residence - Adresse résidentielle

Postal code - Code postal

Telephone No. - N° de téléphone

Postal code - Code postal

Telephone No. - N° de téléphone

Date of birth - Date de naissance

Beneficial ownership interest  
Participation dans la propriété réelle \_\_\_\_\_ %

Date of birth - Date de naissance

Beneficial ownership interest  
Participation dans la propriété réelle \_\_\_\_\_ %

**Authorized signature and title - Signature et titre de l'agent autorisé**

I hereby certify that all information provided with this application is true and I will conform with all the provisions of the CBSA laws and regulations, requirements and procedures for the operation of the duty free shops.

Je certifie, par la présente, que les renseignements fournis sur cette demande sont vérifiées et que je respecterai toutes les lois et tous les règlements de l'ASFC et toutes les exigences et les procédures pour l'exploitation des boutiques hors taxes.

Applicant's signature and title - Signature et titre du demandeur

Licence no. - N° d'agrément

Date

*John Pearce General Manager*

*April 12, 2017*

1182

This is Exhibit “J” referred to in the Affidavit of Jim Pearce sworn remotely this 12<sup>th</sup> day of December 2021.

A handwritten signature in blue ink, appearing to read "Alexandra Teodorescu". The signature is fluid and cursive, with the first name "Alexandra" written in a larger, more prominent script than the last name "Teodorescu".

---

*Commissioner for Taking Affidavits (or as may be)*

**Alexandra Teodorescu**



1183

## LICENCE for DUTY FREE SHOP

This is to certify that:

**PEACE BRIDGE DUTY FREE INC.**

has been issued a licence pursuant to the *Customs Act* to operate a duty free shop at:

**FORT ERIE, ONTARIO**

this                      day of                      in the year  
ce                      14                      January                      de l'année                      2015

  
\_\_\_\_\_  
Manager, Commercial Registration  
Gestionnaire, Unité de l'agrément commercial

Authorization No. - N° d'autorisation

**410 DFL 018**

Effective Period - Période de validité

From - De	To - À
<b>2015.01.26</b>	<b>2025.01.25</b>



Canada Border  
Services Agency      Agence des services  
frontaliers du Canada

**Canada**



1184

This is Exhibit “K” referred to in the Affidavit of Jim Pearce sworn remotely this 12<sup>th</sup> day of December 2021.

A handwritten signature in blue ink, appearing to read 'Alexandra Teodorescu', written in a cursive style.

---

*Commissioner for Taking Affidavits (or as may be)*

**Alexandra Teodorescu**

1185

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**From:** CBSA-ASFC\_Duty\_Free\_Shops-Boutiques\_Hors\_Taxes <Duty\_Free\_Shops-Boutiques\_Hors\_Taxes@cbsa-asfc.gc.ca>

**Sent:** Thursday, December 9, 2021 3:08 PM

**To:** Jim Pearce

**Cc:** Karen Shaubel; CBSA-ASFC\_Duty\_Free\_Shops-Boutiques\_Hors\_Taxes; Licensing Unit / Unité des agréments (CBSA/ASFC); Gabbatt, Brett; Schlosser, Carl

**Subject:** Status of Peace Bridge Duty Free Inc. - Fort Erie

Good Afternoon Jim,

It has come to our attention in the Commercial Registration Unit (CRU) that Peace Bridge Duty Free Inc., located at the Peace Bridge in Fort Erie, Ontario, has entered into receivership.

We would like to direct you to the following sections of [Memorandum D4-3-2](#) with respect to the receivership and/or bankruptcy of a Canada Border Services Agency (CBSA) licensed duty free shop:

#### **Receivership or Bankruptcy**

32. When it is expected that a DFS will be placed under the control of a receiver or may go bankrupt, **the DFS licensee must notify the CBSA immediately in writing by sending an e-mail to the CRU.**

33. The trustees and the licensee may be given limited access to the DFS but no sale or movement of goods is to take place without prior approval of the local CBSA office. **In the case of a receivership, the licensee may request that the receivers be allowed to continue the day-to-day operations of the shop providing they meet the requirements of the DFS program.** In the case of a bankruptcy, the DFS licence is automatically cancelled.

34. In both cases, the local CBSA office will conduct a complete audit of the DFS inventory and ensure that records are up to date.

If it is your intention to have the receivers continue the day-to-day operations of the duty free shop, please note that you must submit a request in writing to the CRU, detailing the information for the proposed personnel that will assume operation of the shop. To assist, you may complete and submit form [BSF664](#) as page 2 of the application form contains sections to provide the relevant personal information necessary for the CBSA to complete our review. Please note that this is **not** a licence application process and the **receiver would not be issued a new duty free shop licence**. Rather, this is a process for the CBSA to approve the receiver to continue to operate under the existing licence.

Additionally, we note that Peace Bridge Duty Free Inc. also operates the duty free shop located at John C. Munro Hamilton International Airport in Hamilton, Ontario. Would you be able to confirm that it is solely the duty free shop located at the Peace Bridge that is the subject of the receivership?

Please feel free to direct any questions or concerns that you have regarding this process to the CRU at [Duty\\_Free\\_Shops-Boutiques\\_Hors\\_Taxes@cbsa-asfc.gc.ca](mailto:Duty_Free_Shops-Boutiques_Hors_Taxes@cbsa-asfc.gc.ca).

Thank you,

**Michael Jollymore**

Commercial Registration / Commercial and Trade Branch

Canada Border Services Agency / Government of Canada

Duty\_Free\_Shops-Boutiques\_Hors\_Taxes@cbsa-asfc.gc.ca

Agréement commercial / La direction générale du secteur commercial et échanges commerciaux

Agence des services frontaliers du Canada / Gouvernement du Canada

Duty\_Free\_Shops-Boutiques\_Hors\_Taxes@cbsa-asfc.gc.ca

Government  
of CanadaGouvernement  
du Canada

Canada

1186

1187

This is Exhibit “L” referred to in the Affidavit of Jim Pearce sworn remotely this 12<sup>th</sup> day of December 2021.

A handwritten signature in blue ink, appearing to read 'Alexandra Teodorescu', written in a cursive style.

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*Commissioner for Taking Affidavits (or as may be)*

**Alexandra Teodorescu**

1188


**RBC Royal Bank**

July 2, 2021

Peace Bridge Duty Free Inc.  
1 Peace Bridge Plaza  
Fort Erie ON  
L2A 5N1

Dear Sirs/Mesdames:

Your Credit Facilities with Royal Bank of Canada

The events surrounding COVID-19 are truly unprecedented and we appreciate the hardships and financial uncertainty that many of our clients are facing. RBC wants to help provide you with the support you need, and that includes immediate and long term relief for clients facing challenging circumstances due to the COVID-19 crisis. It is important that you contact us to discuss your options tailored to your specific circumstances.

We are writing with reference to your credit facilities as set out in the Credit Agreement dated JULY 20, 2018 ('the Agreement'), and all capitalized terms not otherwise defined herein shall have the meaning ascribed to them in the Agreement. Our recent review reveals that you are in default of the following covenant(s) under the terms of the Agreement for the fiscal period ended December 31, 2020:

**"FINANCIAL COVENANTS"**

In the event that the Borrower changes accounting standards, accounting principles and/or the application of accounting principles during the term of this Agreement, all financial covenants shall be calculated using the accounting standards and principles applicable at the time this Agreement was entered into.

Without affecting or limiting the right of the Bank to terminate or demand payment of, or cancel or restrict availability of any unutilized portion of any demand or other discretionary facility the Borrower covenants and agrees with the Bank that the Borrower will:

- a) maintain to be measured as at the end of each fiscal year:
  - i. Debt Service Coverage, of not less than 1.25:1."

According to our calculation(s), you had a ratio Debt Service Coverage of -8.27.

We acknowledge the default stated above and your plan to remedy such default, on or before December 31, 2021.

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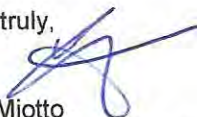
\*Registered trademark of Royal Bank of Canada. RBC and Royal Bank are registered trademarks of Royal Bank of Canada.

1189

We reserve all rights arising out of the default and reserve the right to demand payment of borrowings outstanding under the credit facilities, if you do not remedy the default within the time period indicated above or in the event of other breaches of the Agreement.

If you have any questions about your credit facilities or would like clarification on any of the above matters, please contact us immediately at the contact number provided below.

Yours truly,



Chris Miotto  
Senior Commercial Account Manager  
Tel: 905-934-4415

1190

This is Exhibit “M” referred to in the Affidavit of Jim Pearce sworn remotely this 12<sup>th</sup> day of December 2021.

A handwritten signature in blue ink, appearing to read 'Alexandra Teodorescu', written in a cursive style.

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*Commissioner for Taking Affidavits (or as may be)*

**Alexandra Teodorescu**

**AIRD BERLIS**

1191

**Sanjeev P. R. Mitra**  
Direct: 416.865.3085  
E-mail: [smitra@airdberlis.com](mailto:smitra@airdberlis.com)

November 23, 2021

**VIA EMAIL** ([bmills@conlinbedard.com](mailto:bmills@conlinbedard.com))

**Peace Bridge Duty Free Inc.**  
**c/o Conlin Bedard LLP**  
220 Laurier Avenue, Suite 700  
Ottawa, ON K1P 5Z9

**Attention:     Ben Mills**

Dear Mr. Mills:

**Re:        Credit Amending and Forbearance Agreement made as of October 8, 2021  
              (the "Agreement") between Royal Bank of Canada (the "Lender") and  
              Peace Bridge Duty Free Inc. (the "Borrower")**

---

As you know, we are counsel for the Lender in respect of the above-referenced Agreement. Unless otherwise defined, all capitalized terms in this letter are defined as they are under the Agreement.

One or more Intervening Event has occurred under the Agreement, including, without limitation, the failure by the Borrower under section 6.4(b) of the Agreement (and, therefore, under section 7.1(c) of the Agreement) to deliver to the Lender, by no later than November 15, 2021, *"evidence that an arrangement satisfactory to the Lender, in its sole discretion, has been entered into between the Borrower and the Landlord in respect of the Lease and the defaults thereunder to ensure that the Landlord will not terminate the Lease before the end of its current term."*


In light of the foregoing, this letter serves as notice pursuant to section 8.8 of the Agreement that the Forbearance Period be and is hereby terminated pursuant to section 4.1 of the Agreement.

Please govern yourself accordingly.

Yours very truly,

AIRD & BERLIS LLP

per

  
Sanjeev P. R. Mitra  
SPRM/jn



1192

This is CONFIDENTIAL Exhibit "N" referred to in the Affidavit of Jim Pearce sworn remotely this 12<sup>th</sup> day of December 2021.

A handwritten signature in blue ink, appearing to read "Alexandra Teodorescu". The signature is fluid and cursive, with the first name "Alexandra" written in a larger, more prominent script than the last name "Teodorescu".

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*Commissioner for Taking Affidavits (or as may be)*

**Alexandra Teodorescu**

CONFIDENTIAL EXHIBIT "N" TO  
THE MOTION RECORD OF  
PEACE BRIDGE DUTY FREE  
DATED DECEMBER 13, 2021

SEALED AND FILED  
SEPARATELY WITH THE  
COMMERCIAL LIST COURT  
PURSUANT TO THE  
ENDORSEMENT OF JUSTICE  
PATTILLO DATED  
DECEMBER 14, 2021

1194

This is Exhibit "O" referred to in the Affidavit of Jim Pearce sworn remotely this 12<sup>th</sup> day of December 2021.

A handwritten signature in blue ink, appearing to read "Alexandra Teodorescu". The signature is fluid and cursive, with the first name "Alexandra" and the last name "Teodorescu" clearly distinguishable.

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*Commissioner for Taking Affidavits (or as may be)*

**Alexandra Teodorescu**

1195

**From:** Stanek, Chris <Christopher.Stanek@gowlingwlg.com>  
**Sent:** December 10, 2021 11:07 AM  
**To:** Shea, Patrick; David T. Ullmann  
**Cc:** John C. Wolf; Alexandra Teodorescu; Brendan Jones  
**Subject:** RE: Peace Bridge Duty Free

David:

We can do a call at 8:30 Monday morning.

Christopher Stanek  
*Partner*  
T +1 416 862 4369  
christopher.stanek@gowlingwlg.com



---

**From:** Shea, Patrick <Patrick.Shea@ca.gowlingwlg.com>  
**Sent:** Friday, December 10, 2021 10:22 AM  
**To:** David T. Ullmann <DUllmann@blaney.com>; Stanek, Chris <Christopher.Stanek@ca.gowlingwlg.com>  
**Cc:** John C. Wolf <jwolf@blaney.com>; Alexandra Teodorescu <ATeodorescu@blaney.com>; Brendan Jones <BJones@blaney.com>  
**Subject:** Re: Peace Bridge Duty Free

Good morning. Chris and I are working together on this. Chris has been dealing with the matter for longer so any meeting and the timing would be up to him.

Sent from my iPhone

On Dec 10, 2021, at 09:45, David T. Ullmann <[DUllmann@blaney.com](mailto:DUllmann@blaney.com)> wrote:

**This message originated from outside of Gowling WLG. | Ce message provient de l'extérieur de Gowling WLG.**

---

Good Morning Pat,

I hope this email finds you well and that the pandemic has been okay for you and yours.

We have very recently been retained on the Peace Bridge Duty Free file as counsel to the debtor. We understand that you have recently taken over carriage of the matter from Chris Stanek.

Based on our review of the file, it seems to me that it would be worthwhile for us to have a meeting, as soon as possible, to discuss the apparent gap between our clients views of the situation.

We are available to meet with you at 4pm today or first thing Monday morning. As I think a large part of this matter will be impacted by issues related to the lease terms, I would be bringing with me my partner John Wolf, who specializes in that area. We would recommend you bring whomever is providing the leasing law input from your side. We are prepared to meet at your office or ours. We do suggest the meeting be in person.

While I realize it is likely ambitious for us to reach a resolution of all issues prior to the court attendance scheduled for Tuesday, I am sure the Court will want to know that we have spoken prior to attending on Tuesday.

I look forward to meeting with you. Let me know if we can meet today.

Regards,

David



David T. Ullmann  
Partner

[dullmann@blaney.com](mailto:dullmann@blaney.com)

☎ 416-596-4289 | ☎ 416-594-2437

🌐 [Blaney.com](http://Blaney.com)



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**ROYAL BANK OF CANADA**

and

**PEACE BRIDGE DUTY FREE INC.**

Applicant

Respondent

Email address of recipient: See Service List

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
(COMMERCIAL LIST)**

Proceeding commenced at Toronto

**AFFIDAVIT OF JIM PEARCE**  
(Motion Seeking to Adjourn the Application of Royal Bank of  
Canada)

**BLANEY MCMURTRY LLP**

Barristers & Solicitors  
2 Queen Street East, Suite 1500  
Toronto, ON, M5C 3G5

**David T. Ullmann** (LSO #42357I)

Tel: (416) 596-4289

Email: [dullmann@blaney.com](mailto:dullmann@blaney.com)**John Wolf** (LSO #30165B)Email: [jwolf@blaney.com](mailto:jwolf@blaney.com)**Brendan Jones** (LSO #56821F)Email: [bjones@blaney.com](mailto:bjones@blaney.com)**Alexandra Teodorescu** (LSO #63889D)Email: [ateodorescu@blaney.com](mailto:ateodorescu@blaney.com)

Lawyers for the Respondent

# TAB 13

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
(COMMERCIAL LIST)**

BETWEEN:

**ROYAL BANK OF CANADA**

Applicant

and

**PEACE BRIDGE DUTY FREE INC.**

Respondent

APPLICATION UNDER SUBSECTION 243(1) OF THE BANKRUPTCY AND INSOLVENCY ACT, R.S.C.  
1985, c. B-3, AS AMENDED AND SECTION 101 OF THE COURTS OF JUSTICE  
ACT, R.S.O. 1990, c. C.43, AS AMENDED

**AFFIDAVIT OF RON RIENAS  
(Sworn 7 September 2022)**

**I, RON RIENAS** of the City of Port Colborne, in the Province of Ontario, **MAKE OATH AND SAY:**

1. I am the General Manager of the Buffalo and Fort Erie Public Bridge Authority (the "**Authority**") and, as such, have personal knowledge of the matters herein deposed save and except where I rely on information and belief, in which cases I identify the source of that information and verily believe it to be true.
2. I am swearing this affidavit in support of a motion being brought by the Authority seeking an Order :
  - (a) declaring that the Authority is no longer bound by the restriction imposed by paragraph 11 of the Order dated 14 December 2021 as amended (the "**Appointment Order**") for the reason that Peace Bridge Duty Free Inc. ("**PBDF**") has not, since 14 December 2021, paid rent as required by the Building Lease between the Authority and PDBF dated 28 July 2016 (the "**Lease**"); or, in the alternative,



- (b) an Order lifting the stay imposed by paragraph 9 of the Appointment Order so that the Authority may exercise its remedies under the Lease, including terminating the Lease and evicting PBDF; or, in the further alternative,
  - (c) an Order that PBDF pay, within 10 business days, all rent payable in accordance with the Lease since 14 December 2021 and account for all subsidies received by PBDF since 14 December 2021, without prejudice to the Authority's rights in connection with rent owing by PBDF for the period prior to 14 December 2021.
3. Now produced and shown to me is a bound document titled Brief of Exhibits to Affidavit of Ron Rienas sworn 7 September 2022 (the '**Brief of Exhibits**').
4. The Authority is an international compact entity—a statutory corporation--created pursuant to a compact entered into—and legislation passed--by the State of New York, with the consent of the United States Congress, and by the Government of Canada. It owns and operates the Peace Bridge, an international toll crossing spanning the Niagara River between Fort Erie, Ontario, and Buffalo, New York.
5. The Authority receives its revenues from tolls as well as rental and fee income from the United States Bureau of Customs and Border Protection, Public Works and Government Services Canada, the United States and Canadian duty-free shops, and commercial brokers operating on the property owned by the Authority and from leases of communication conduits spanning the Peace Bridge.
6. Pursuant to the Lease, the Authority has leased certain premises to PBDF for the purpose of permitting PBDF to operate a duty free store at the Peace Bridge. A true copy of the Lease is at Tab **[1]** of the Brief of Exhibits.
7. As a result of the impact of the COVID Pandemic, the Lease was amended by a Rent Deferral Agreement dated 27 April 2020 (the "**First Rent Deferral**"). A true copy of the First Rent Deferral is at Tab **[2]** of the Brief of Exhibits.
8. While there is, as set forth below a dispute as to whether there was a further deferral agreed to by the Authority, there is no dispute between the Authority and PBDF that the First Rent Deferral expired on 31 July 2020 and the First Rent Deferral required that the PBDF begin to pay back to the Authority the deferred rent.

9. The Lease requires that PBDF pay Rent, which is comprised of Base Rent, Percentage Rent and any applicable sales taxes, as well property taxes, operating costs and utilities. The minimum annual Rent payable by PBDF is \$4 million per annum—\$333,333 per month. The rent payable by PBDF under the Lease was proposed by PBDF as part of a Request for Proposal process undertaken by the Authority in 2016.

10. The Authority has brought this Motion because PBDF has not paid rent to the Authority as required by the Lease since the Appointment Order was made on 14 December 2021.

11. The Authority is not a Crown corporation and received no COVID-related assistance from the Government of Canada or the United States Government. As a result of the quantum of the rent that is payable by PBDF under the Lease, the Authority was not eligible for the Canada Emergency Commercial Rent Assistance Program.

12. Although there may be a dispute as to how much is owing by PBDF<sup>1</sup>, there is no dispute that PBDF owes a substantial amount of rent to the Authority for the period prior to 14 December 2021. Based on the failure of PBDF to pay rent and other breaches of the Lease, on 8 September 2021, the Authority delivered notice to PBDF that it intended to exercise remedies under the Lease. A true copy of this notice is at Tab [3] of the Brief of Exhibits.

13. The Royal Bank of Canada ("RBC") is a secured creditor of PBDF and has security over, among other assets of PBDF, the Lease.

14. On or about 21 November 2021, the Authority, through counsel, advised RBC that it intended to exercise remedies under the Lease as a result of those defaults.

15. On or about 3 December 2021, RBC served an Application to appoint a receiver over the assets and property of PBDF.

16. PBDF opposed RBC's Application and took the position that, among other things: (a) it was not, as at December of 2021, in default of its obligations under the Lease; and, even if it was, (b) the Authority did

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<sup>1</sup> I understand that PBDF has indicated that it disputes the amount of rent that the Authority claims is owing, but PBDF has never provided the Authority with the specifics of that dispute or identified how much rent it believes that it owes to the Authority.

not have the right to exercise its remedies under the Lease based on Provincial legislation that imposed a moratorium on the exercise of remedies by commercial landlords.

17. On 14 December 2021, the Court made the Appointment Order appointing msi Sperel inc. (the "**Monitor**") as "monitor" of PBDF to protect RBC's interests as a secured creditor pending the return of RBC's Application and adjourned RBC's Application to 17 January 2022.

18. On 17 January 2022, RBC's Applications was adjourned until 23 March 2022. On 23 March 2022, RBC's Application was adjourned to date on or after 23 June 2022. To the best of my knowledge, the hearing of RBC's Application has not yet been scheduled

19. PBDF has not paid rent in accordance with the Lease since the Appointment Order was made on 14 December 2021. PBDF has, instead, been unilaterally paying rent equal to 20% of its reported sales. A rent ledger showing the rent owing and the amounts paid by PBDF since 14 December 2021 is at Tab [4] of the Brief of Exhibits.

20. On or about 7 January 2022, the Monitor was, through counsel, advised that PBDF was unilaterally paying rent equal to 20% of its reported sales. A true copy of the e-mail from 7 January 2022 is at Tab [5] of the Brief of Exhibits.

21. While there may be communications between PBDF and the Monitor of which I am not aware, there has been no explanation from PBDF of which the Authority is aware as to why PBDF has not been paying rent in accordance with the Lease since the Appointment Order was made.

22. I am aware that, in opposition to RBC's Application, PBDF made certain assertions as to why, prior to 14 December 2021, it was not paying rent in accordance with the Lease. Those assertions are contained in the Affidavit of Jim Pearce sworn 12 December 2021 (the "**Pearce Affidavit**"). None of the assertions made in the Pearce Affidavit explain why PBDF has not paid rent as required by the Lease subsequent to 14 December 2021.

23. I understand, based on the Pearce Affidavit, that PBDF asserts that the Lease was further amended—and the rent deferral extended—by a Rent Deferral Agreement dated 20 November 2020 (the "**Second Rent Deferral**"). The Second Rent Deferral was not signed by the Authority. A true copy of the unsigned Second Rent Deferral is at Tab [6] of the Brief of Exhibits.

24. I do not understand the basis upon which PBDF could possibly assert that the Lease was amended by the unsigned Second Rent Deferral or on what basis the Authority is bound by the unsigned Second Rent Deferral.

25. The Second Rent Deferral expressly provides that it is not binding on the Authority until it is signed by the Authority. In addition, Article 2.17 of the Lease provides:

*No supplement, modification, amendment, waiver, discharge or termination of this Lease is binding unless it is executed in writing by the party to be bound. No waiver or, failure to exercise or delay in exercising, any provision of this Lease constitutes a waiver of any other provision (whether or not similar) not does any waiver constitute a continuing waiver unless otherwise expressly provided.*

26. The Authority did not sign the Second Rent Deferral. PBDF was advised in writing on or about 20 November 2020, 2 December 2020 and 9 December 2020 that the Authority was not going to sign the Second Rent Deferral and/or further defer rent unless certain conditions were satisfied by PBDF. Those conditions were not satisfied by PBDF. True copies of these communications are at Tab [7] of the Brief of Exhibits.

27. It was my believe, based on the e-mails attached At Tab 7 of the Exhibit Brief, that PBDF understood that the Authority would not sign the Second Rent Deferral and was not agreeing to defer rent after 31 July 2020. I further believe that PBDF understood that any further deferral of rent on the part of the Authority was an indulgence provided by the Authority to try to assist PBDF. That indulgence was provided by the Authority in the context of certain restrictions imposed by the Province of Ontario on the right of commercial landlords to evict tenants based on the failure of the tenants to pay rent.

28. I also note that the Second Rent Deferral cannot possibly be the basis for PBDF to not have paid rent in accordance with the Lease subsequent o 14 December 2021. The Second Rent Deferral, assuming it was signed by the Authority, provided for the deferral of rent payable under the Lease up to the earlier of: (a) 31 March 2021; and (b) the last day of the month following the date the PBDF fully reopened the duty free store at the Peace Bridge.

29. I believe, based on the Pearce Affidavit, that PBDF may assert that the Authority acquiesced to PBDF not paying rent as required by the Lease. In granting any indulgences to PBDF in terms of not pursuing payment of rent strictly in accordance with the Lease, the Authority relied on Article 2.17 of the Lease. At no time did the Authority agree in writing to waive any of its right under the Lease or to provide PBDF with a

permanent rent deferral or waiver. As noted below, subsequent to 14 December 2021, the Authority made it clear to PBDF that it was not accepting PBDF's unilateral decision to pay rent equal to 20% of its reported sales.

30. I believe, based on the Pearce Affidavit, that PBDF may assert that it somehow understood that the Authority had agreed to defer rent until the Canada-US border reopened. Even if this was the agreement between the Authority and PBDF, which it was not, the Canada-US border reopened on November 8, 2021.

31. I believe, based on the Pearce Affidavit, that PBDF may assert that the "principal" of the First Rent Deferral and the Second Rent Deferral was that PBDF would not have to pay base rent under the Lease "until traffic across the Canada-US bordered returned to normal levels and [PBDF] was able to reopen its store to the public". That is not correct. There is nothing in either the First Rent Deferral or, assuming that it is a binding agreement, the Second Rent Deferral to support this assertion.

32. The Authority advised PBDF in writing on or about 24 February 2022, 11 April 2022 and 6 July 2022, that the Authority did not accept, and did not agree to, PBDF paying rent equal to 20% of reported sales as opposed to in accordance with the Lease. True copies of these communications are at Tab [8] of the Brief of Exhibits.

33. Prior to 22 April 2022, there was no practical reason for the Authority to request permission or seek an Order permitting it to exercise its remedies under the Lease based on the failure of PBDF to pay rent in accordance with the Lease. The Provincial moratorium that PBDF asserted, in December of 2021, prevented the Authority from evicting PBDF based on the failure of PBDF to pay rent remained in force until 22 April 2022. Notwithstanding whether the Monitor consented to the exercise of the Authority of its remedies or the Court lifted the stay to permit the Authority to exercise its remedies, the Authority would have had to engage in litigation with PBDF over the scope of the Provincial moratorium and whether it applied to prevent the Authority from exercising its remedies under the Lease.

34. Subsequent to the Provincial moratorium on the eviction of commercial tenants coming to an end on 22 April 2022, the Authority waited a reasonable period to see if PBDF would comply with the Appointment Order and pay back- and going-forward rent as required by the Lease and the Appointment Order. PBDF did, however, not pay rent as required by the Lease in May, June or July of 2022 and made no attempt to pay the back rent owing in accordance with the Lease from 14 December 2021.

35. On or about 26 July 2022, the Authority, through counsel, inquired as to whether the Monitor would consent to the Authority exercising its rights and remedies under the Lease based on PBDF's failure to pay rent in accordance with the Lease and the Appointment Order. This correspondence was also addressed to PBDF. A true copy of the letter from 26 July 2022 is at Tab [9] of the Brief of Exhibits.

36. It is my understanding that the Monitor has declined to consent to the Authority exercising its remedies under the Lease and has required that the Authority bring a Motion seeking an Order allowing it to exercise its remedies under the Lease.

37. On about 2 August 2022, the Authority, through counsel, demanded from PBDF payment of the rent payable in accordance with the Lease from 14 December 2021 and required that PBDF pay rent in accordance with the Lease. PBDF did not pay the rent owing under the Lease from the period subsequent to 14 December 2021 or pay rent in accordance with the Lease for August of 2022. A true copy of the letter from 2 August 2022 is at Tab [10] of the Brief of Exhibits.

38. Aside from the failure to pay rent as required by the lease, there have been other breaches by PBDF of the Lease subsequent to 14 December 2021, including the failure of PBDF to provide the Authority with financial information as required by Article V of the Lease and late payments of rent.

39. I understand from information provided to me by PBDF, including the Pearce Affidavit, that PBDF applied for and received certain rent assistance from the Government of Canada. On or about 2 August 2022, the Authority asked that PBDF account for all COVID-related rent assistance that it has received. PBDF has not provided that information to the Authority.

SWORN BEFORE ME remotely at the City of  
Fort Erie and the City of Toronto, in the Province of  
Ontario, this 7<sup>th</sup> day of September 2022.

A COMMISSIONER FOR TAKING AFFIDAVITS

PSHEA

RON RIENAS

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
(COMMERCIAL LIST)**

BETWEEN:

**ROYAL BANK OF CANADA**

Applicant

and

**PEACE BRIDGE DUTY FREE INC.**

Respondent

APPLICATION UNDER SUBSECTION 243(1) OF THE BANKRUPTCY AND INSOLVENCY ACT, R.S.C.  
1985, c. B-3, AS AMENDED AND SECTION 101 OF THE COURTS OF JUSTICE  
ACT, R.S.O. 1990, c. C.43, AS AMENDED

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**BRIEF OF EXHIBITS TO AFFIDAVIT OF RON RIENAS  
SWORN 7 SEPTEMBER 2022**

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Date: 7 September 2022

**GOWLING WLG (CANADA) LLP**

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Lawyers for Buffalo and Fort Erie Public Bridge  
Authority

TO: THE SERVICE LIST



**[THE SERVICE LIST]**

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<b>SCHEDULE "D"</b>	<b>TENANT'S PROPOSAL</b>

**THIS LEASE** is dated as of the 28<sup>th</sup> day of July, 2016.

**B E T W E E N:**

**BUFFALO AND FORT ERIE PUBLIC BRIDGE  
AUTHORITY**, an entity created pursuant to an Act of the State of  
New York, with the consent of the United States Congress, and by  
an Act of the Government Of Canada

(the "Landlord")

**AND:**

**PEACE BRIDGE DUTY FREE INC.**, a corporation incorporated  
under the laws of the Province of Ontario

(the "Tenant")

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## ARTICLE I BASIC LEASE TERMS

### 1.01 Basic Lease Terms

- (a) Landlord: Buffalo and Fort Erie Public Bridge Authority

Address of Landlord:

- (b) Tenant: Peace Bridge Duty Free Inc.

Address of Tenant:

- (c) Leased Premises: The Building and the portion of the Lands as identified in Schedule "B".
- (d) Term: 15 years.
- (e) Commencement Date: November 1, 2016.
- (f) Termination Date: October 31, 2031.
- (g) Letter of Credit: \$50,000.
- (h) Extension Options: One option to extend the term for an additional period of five years.

## ARTICLE II DEFINITIONS AND INTERPRETATION

### 2.01 Definitions

In this Lease and the schedules forming part of it, the following definitions apply:

- (a) **"Additional Rent"** means all money or charges which the Tenant is required to pay under this Lease (except Base Rent, Percentage Rent and Sales Taxes) whether or not they are designated "Additional Rent" whether or not they are payable to the Landlord or to third parties.
- (b) **"Additional Services"** means those services provided to the Tenant at its request, as additional services, which are not part of the services provided by the Landlord to the Tenant in accordance with the terms of this Lease and charged as Operating Costs including, but not limited to, maintenance, repair, janitorial or cleaning services. Additional Services also includes any services provided by the Landlord on behalf of the Tenant in respect of any obligations of the Tenant required under this Lease which the Tenant fails to observe and perform.
- (c) **"Adverse Effect"** means any one or more of:

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- (i) impairment of the quality of the natural environment for any use that can be made of it;
  - (ii) injury or damage to property or to plant or animal life;
  - (iii) harm or material discomfort to any Person;
  - (iv) an adverse effect on the health of any Person;
  - (v) impairment of the safety of any Person;
  - (vi) rendering any property or plant or animal life unfit for human use;
  - (vii) loss of enjoyment of a normal use of property; and
  - (viii) interference with the normal conduct of business.
- (d) **“Alterations”** has the meaning ascribed to that term in Section 12.02.
- (e) **“Applicable Laws”** means any statutes, laws, by-laws, regulations, ordinances and requirements of governmental and other public authorities having jurisdiction over or in respect of the Leased Premises or the Property, or any portion thereof, and all amendments thereto at any time and from time to time, and including but not limited to the Environmental Laws.
- (f) **“Architect”** means the architect, engineer or land surveyor named by the Landlord from time to time.
- (g) **“Base Rent”** means the annual base rent payable by the Tenant and described in Section 4.02.
- (h) **“Building”** means the building located on the Lands as shown on Schedule B as it exists from time to time.
- (i) **“Building Systems”** means: (i) the equipment, facilities and all systems, services and installations from time to time installed in or servicing the Leased Premises (or any portion thereof) including, but not limited to: mechanical (including plumbing, sprinkler, drainage and sewage) and electrical systems and appurtenances thereto; utilities (including, without limitation, electricity, water, hydro and gas), lighting, sprinkler, life safety (including fire prevention, communications, security and surveillance); computer (including environmental, security and lighting control); and (ii) all machinery, appliances, equipment, apparatus, components, computer software and appurtenances forming part of or used for or in connection with any of such systems, services, installations and facilities including, but not limited to, boilers, motors, generators, fans, pumps, pipes, conduits, ducts, valves, wiring, meters and controls, and the structures and shafts housing and enclosing any of them.

- (j) **“Business Day”** means any day other than a Saturday, Sunday or statutory holiday in the Province of Ontario.
- (k) **“Business Taxes”** means every tax, duty and licence fee which is levied, rated, charged or assessed against or in respect of the business carried on in the Leased Premises or in respect of the use or occupancy of the Leased Premises by the Tenant whether the taxes, rates, duties, assessments or licence fees are rated, charged or assessed by any Government Authority during the Term.
- (l) **“Claims”** means any threatened or actual claim, demand, action, cause of action, administrative order, requirement or proceeding, damage, loss, cost, fine, penalty, interest, liability and expense including, without limitation, reasonable engineering and legal fees and disbursements on a full indemnity basis.
- (m) **“Commencement Date”** means the date set out in Section 1.01(e).
- (n) **“Contaminants”** means any solid, liquid, gas, odour, heat, sound, vibration, radiation or combination of any of them resulting directly or indirectly from human activities that causes or may cause an Adverse Effect and includes any waste, dangerous good, hazardous product, controlled substance or any other substance or thing regulated or reportable under any Environmental Laws.
- (o) **“Environmental Approvals”** means all applicable permits, licences, authorizations, consents, directions and approvals required by Governmental Authorities pursuant to Environmental Laws in respect of the Leased Premises and the equipment, structures, substances and activities located or carried on therein or thereon by the Tenant.
- (p) **“Environmental Laws”** means all existing and future federal, provincial and municipal laws, regulations, by-laws, ordinances, notices, orders, rules, protocols, policies, directions and guidelines and all present and future principles of common law and equity relating to the protection of the environment, including Contaminants, pollution and waste management.
- (q) **“Environmental Site Assessment”** or **“ESA”** includes a visual and instructive inspection of property, buildings, structures, soils, bedrock and groundwater, including the installation of monitoring and measurement devices, for the purpose of determining the presence of Contaminants or compliance with Environmental Laws.
- (r) **“Event of Default”** has the meaning ascribed to that term in Section 17.01.
- (s) **“Extension Term”** has the meaning ascribed to that term in Section 3.06.
- (t) **“Governmental Authorities”** means all applicable federal, provincial and municipal agencies, boards, tribunals, ministries, departments, inspectors, officials, employees, servants or agents having jurisdiction and **“Government Authority”** means any one of them.

- (u) **"HVAC System"** means the whole of any systems required for the supply of heating, ventilating or air-conditioning to the Building and the improvements, fixtures, appurtenances, equipment and systems associated with or required therefor and for the further processing and distribution or exhaust of air such as ducts, diffusers, reheat coils, controls and other apparatus and equipment therefor.
- (v) **"Landlord"** means the party named in Section 1.01(a) and all successors and assigns of such party.
- (w) **"Lands"** means the lands more particularly described in Schedule "A".
- (x) **"Leased Premises"** means collectively the Building and the portion of the Lands as identified in Schedule "B".
- (y) **"Leasehold Improvements"** means all fixtures, improvements, installations, Alterations and additions from time to time made, erected or installed by or on behalf of the Tenant or any former occupant of the Leased Premises, including cabling, trenches, concrete bases, doors, hardware, partitions (including moveable partitions) and wall-to-wall carpeting, but excluding furniture and equipment not in the nature of fixtures.
- (z) **"Letter of Credit"** means the letter of credit described in Section 4.06.
- (aa) **"Licence"** shall mean the licence, permission, registration, authorization, appointment, power, jurisdiction, or other similar right granted or conferred by the Government of Canada upon the Tenant and allowing the Tenant to operate a duty free shop at the Leased Premises.
- (bb) **"Mortgage"** means any mortgage or other security against the Leased Premises or the Landlord's interest in this Lease, from time to time.
- (cc) **"Mortgagee"** means the holder of any Mortgage from time to time.
- (dd) **"Operating Costs"** has the meaning ascribed to that term in Section 6.04.
- (ee) **"Percentage Rent"** means the percentage rent payable by the Tennant and described in Section 4.03
- (ff) **"Permitted Use"** means the operation of a duty free shop and related services (such as banking and travel related services).
- (gg) **"Person"** if the context allows, includes any person, firm, partnership or corporation, or any group of persons, firms, partnerships or corporations or any combination of them.
- (hh) **"Prime Rate"** means the annual rate of interest announced from time to time by the Canadian chartered bank chosen by the Landlord as the daily rate of interest used by such bank as a reference rate in setting rates of interest for Canadian dollar

commercial loans and commonly referred to by such bank as its Canadian “prime rate”.

- (ii) **“Property Taxes”** means all real property taxes, rates, duties, levies, fees, charges (including local improvement charges) and assessments, whether general or special, that are levied, rated, charged or assessed against the Lands, the Leased Premises or any part of it from time to time by any lawful taxing authority, whether federal, provincial, regional, municipal, school or otherwise and any taxes or other amounts which are imposed in lieu of, as a substitute for or in addition to, any of the foregoing whether or not similar to or of the foregoing character or not and whether or not in existence at the Commencement Date, and any such taxes levied or assessed against the Landlord on account of its ownership of the Lands or its interest in it, including capital taxes imposed on the Landlord and including taxes levied on the Landlord on account of rents payable by the Tenants, and all legal and other professional fees and interest and penalties on deferred payments incurred by the Landlord in contesting or appealing any Property Taxes.
- (jj) **“Release”** means, in respect of Contaminants, without limitation, a spill, leak, disposal, dumping, pumping, pouring, emission, emptying, discharge, deposit, injection, escape, release or leaching.
- (kk) **“Released Persons”** includes the Landlord, the property manager for the Leased Premises, if any, the Mortgagee and their respective directors, officers, employees, agents, contractors and other Persons for whom they are responsible in law.
- (ll) **“Rent”** means collectively the Base Rent, Percentage Rent and Additional Rent payable under this Lease.
- (mm) **“Rental Year”** means a period of time, the first Rental Year of the Term commencing on the Commencement Date and ending on October 31, 2017. After the first Rental Year each Rental Year of the Term will consist of a period of twelve (12) calendar months, but the last Rental Year of the Term will terminate on the Termination Date or earlier termination of the Term. Despite what is stated above, if the Landlord considers it necessary or convenient, it may from time to time, by written notice to the Tenant, specify an annual date from which each subsequent Rental Year is to commence for the purposes of any other provision of this Lease, and the Rental Year then current for that purpose or those purposes will terminate on the day immediately preceding the commencement of the new Rental Year.
- (nn) **“Rules and Regulations”** means the rules and regulations promulgated by the Landlord from time to time pursuant to the terms of this Lease.
- (oo) **“Sales Taxes”** means all goods and services, harmonized sales taxes, business transfer, value-added, national sales, multi-stage sales, sales, use or consumption taxes or other taxes of a similar nature imposed by any lawful taxing authority upon the Landlord or the Tenant with respect to Rent, this Lease, the rental of space pursuant to this Lease, or the goods and services provided by the Landlord to the

Tenant, including, without limitation, the provision of administrative services to the Tenant hereunder.

- (pp) **“Tenant”** means the party named in Section 1.01(b). A reference to “Tenant” includes, where the context allows, the employees, agents, contractors, invitees and licensees of the Tenant, and any other Persons over whom the Tenant may reasonably be expected to exercise control, including but not limited to any and all sub-tenants, licensees or assignees of the Leased Premises or any portion thereof, and such other Persons for whom the Tenant is responsible at law.
- (qq) **“Tenant’s Audited Gross Sales”** shall mean a statement of the Tenant’s Gross Sales prepared and verified by the auditor of the Tenant in accordance with generally accepted auditing principles completed in a form and manner satisfactory to the Landlord acting reasonably.
- (rr) **“Tenant Construction Criteria”** means the criteria provided, upon request, by the Landlord to the Tenant from time to time setting out the construction criteria relating to Alterations and which may also provide for Landlord’s reasonable review and supervision fees.
- (ss) **“Tenant’s Gross Sales”** means the total dollar amount of all sales of goods or services made on or from the Leased Premises by the Tenant to the Tenant’s customers (and by any subtenant to the subtenant’s customers) during the specific period(s) of time referred to herein. In the case of currency exchange or financial services it shall mean the gross revenue derived from that service and not the total of the actual currency exchanged. In the case of ticket sales, it shall mean the gross revenue derived from the service and not the total face value of actual ticket sales. In the case of Travel Services, it shall mean the gross revenue derived from the Travel Services and not the total face value of any accommodation booking or travel ticket sales. Tenant’s Gross Sales includes but is not limited to:
  - (i) orders taken or received at the Leased Premises or any offsite sales outlet servicing the Leased Premises, whether by telephone, internet or other electronic means, or in writing or other form of communication and whether the orders are filled from the Leased Premises or elsewhere,
  - (ii) deposits not refunded to purchasers; and
  - (iii) all other receipts and receivables from sales or services (including interest, instalment and finance charges) from business conducted in or from the Leased Premises,

whether the sales or other receipts or receivables are made by cheque, cash, credit, charge account, exchange or otherwise and whether the sales are made by means or mechanical or other vending devices in the Leased Premises. Bank charges or uncollectible credit accounts or charges made by collection agencies will not be deducted and no allowances will be made for bad debts. Each charge or sale made on instalment or credit will be treated as a sale for the full selling price in the month

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for which the charge, sale or rental is made, regardless of the time when the Tenant receives payment (whether full or partial).

There shall be excluded or deducted, as the case may be, from the calculation of Tenant's Gross Sales:

- (i) all refunds of merchandise, the sale price of which has already been included in the Tenant's Gross Sales;
  - (ii) all sales taxes, harmonized sales taxes, goods and services taxes, or any other taxes imposed in lieu thereof;
  - (iii) discounts, allowances or credits given to the Tenant's customers;
  - (iv) all interest, finance or carrying charges charged by the Tenant above the selling price to its customers, as incidental to the sale and with no profit to the Tenant;
  - (v) gift or merchandise certificates or cards provided that such gift or merchandise certificate or card shall be included in the calculation of Gross Sales at the time of their redemption on the Leased Premises;
  - (vi) any sales of the Tenant's used fixtures, chattels or other equipment out of the ordinary course of business; and
  - (vii) transfers of merchandise between any of the Tenant's other stores
- (tt) **"Tenant's Proposal"** means the Tenant's proposal for capital expenditures for the Leased Premises and for the general operation and management of the duty free shop from the Leased Premises as detailed in Schedule "D".
- (uu) **"Term"** means the period of time set out in Section 1.01(d).
- (vv) **"Termination Date"** means the date set out in Section 1.01(f).
- (ww) **"Transfer"** has the meaning ascribed to that term in Section 14.01.
- (xx) **"Transferee"** has the meaning ascribed to that term in Section 14.01.
- (yy) **"Travel Services"** means providing services for booking reservations at hotels, inns, campsites and other accommodations and for selling or reserving travel tickets.
- (zz) **"Unavoidable Delay"** means any delay by a party in the performance of its obligations under this Lease caused in whole or in part by any acts of God, strikes, lockouts or other industrial disturbances, acts of public enemies, sabotage, war, blockades, insurrections, riots, epidemics, washouts, nuclear and radiation activity or fallout, arrests, civil disturbances, explosions, unavailability of materials,



breakage of or accident to machinery, any legislative, administrative or judicial action which has been resisted in good faith by all reasonable legal means, any act, omission or event, whether of the kind herein enumerated or otherwise, not within the control of such party, and which, by the exercise of control of such party, could not have been prevented. Insolvency or lack of funds on the part of such party shall not constitute an unavoidable delay.

## **2.02 Net Lease**

This Lease is a completely carefree net lease to the Landlord. Except as otherwise stated in this Lease, the Landlord is not responsible for any costs, charges, expenses or outlays of any nature whatsoever arising from or relating to the Leased Premises, or the use and occupancy of the Leased Premises, or the contents or the business carried on in the Leased Premises; and the Tenant will pay all charges, impositions, costs and expenses of every nature relating to the Leased Premises.

## **2.03 Extended Meanings**

Use of the neuter singular pronoun to refer to the Landlord or the Tenant is considered a proper reference even though the Landlord or the Tenant is an individual, a partnership, a corporation, or a group of two or more individuals, partnerships or corporations. The necessary grammatical changes required to make the provisions of this Lease apply in the plural sense where there is more than one Landlord or Tenant and to either corporations, associations, partnerships or individuals, males or females, will in all instances be assumed as though they were fully expressed.

## **2.04 Entire Agreement**

There are no covenants, representations, warranties, agreements or other conditions expressed or implied, collateral or otherwise, forming part of or in any way affecting or relating to this Lease, save as expressly set out or incorporated by reference herein and this Lease and the schedules attached hereto constitute the entire agreement duly executed by the parties hereto.

## **2.05 Governing Law**

This Lease shall be construed in accordance with and governed by the laws of the Province of Ontario and the laws of Canada applicable therein.

## **2.06 Time of the Essence**

Time is of the essence of this Lease and each part of it.

## **2.07 No Limitation**

Any statement or provision in this Lease followed by words denoting inclusion or example, such as "including" or "such as", and then listing or referring to specific matters or items shall not be read so as to limit or restrict the generality of such statement or provision regardless of whether or not words such as "without limitation" or "without limiting the generality of the foregoing" precede such list or reference.

## **2.08 Headings and Captions**

The table of contents, article numbers, article headings, section numbers and section headings in this Lease are inserted for convenience of reference only and are not to be considered when interpreting this Lease.

## **2.09 Severability**

Each provision of this Lease is distinct and severable. If any provision of this Lease, in whole or in part, is or becomes illegal, invalid or unenforceable in any jurisdiction, the illegality, invalidity or unenforceability of that provision will not affect the legality, validity or enforceability of the remaining provisions of this Lease, or the legality, validity or enforceability of that provision in any other jurisdiction.

## **2.10 Successors and Assigns**

The rights and liabilities of the parties shall enure to the benefit of their respective successors and assigns, subject to any requirement for consent by the Landlord hereunder.

## **2.11 No Partnership or Agency**

The Landlord does not in any way or for any purpose become a partner of the Tenant in the conduct of its business, or otherwise, or a joint venturer, or a member of a joint enterprise with the Tenant, and the relationship of principal and agent is not created as a result of the entering into of this Lease.

## **2.12 Joint and Several Liability**

The liability to pay Rent and perform all other obligations under this Lease of each Person signing this Lease as the Tenant where the Tenant is more than one Person, shall be deemed to be joint and several.

## **2.13 Landlord as Agent**

The Tenant agrees that the Landlord acts as agent or trustee for the Released Persons to the extent necessary to ensure that all exculpatory provisions and indemnities included in favour of the Released Persons in this Lease are enforceable by the Landlord against the Tenant.

## **2.14 Interpretation**

The Landlord and the Tenant agree that notwithstanding any rule of law or equity, presumption, principle of construction, law or statutory enactment to the contrary:

- (a) in any controversy, dispute, contest, arbitration, mediation or legal proceeding of any kind, including an action, lawsuit, motion, application, reference or appeal regarding the interpretation, validity or enforcement of this Lease or any of its provisions, there shall be no inference, presumption or conclusion drawn whatsoever against either the Landlord or the Tenant by virtue of that party having

drafted this Lease or any portion thereof or by virtue of this Lease being drawn using the Landlord's form;

- (b) any deletion of language or wording from this Lease prior to execution by the Landlord and the Tenant shall not be construed to have any particular meaning or to raise any presumption, construction or implication including, without limitation, any implication that by the deletion of certain language or wording, the Landlord and the Tenant intended to state the opposite of the deleted language or wording; and
- (c) the selection or use of any bold, italicized, underlined or coloured print in this Lease shall not be construed to have any particular meaning or to raise any presumption, construction or implication.

### **2.15 Reasonableness**

Except as may be otherwise specifically provided in this Lease, whenever the Landlord or the Tenant is required to use its discretion or to consent or approve any matter under this Lease, the Landlord and the Tenant agree that such discretion shall be reasonably exercised and that such approval or consent will not be unreasonably or arbitrarily withheld or delayed.

### **2.16 Conflict with Schedules**

Any conflict or inconsistency between the provisions contained in the Schedules of this Lease and the provisions contained elsewhere in the Lease will be resolved in favour of the provisions contained elsewhere in the Lease.

### **2.17 Amendment and Waiver**

No supplement, modification, amendment, waiver, discharge or termination of this Lease is binding unless it is executed in writing by the party to be bound. No waiver of, failure to exercise, or delay in exercising, any provision of this Lease constitutes a waiver of any other provision (whether or not similar) nor does any waiver constitute a continuing waiver unless otherwise expressly provided.

## **ARTICLE III GRANT AND TERM**

### **3.01 Demise**

In consideration of the rents, covenants and agreements hereinafter reserved and contained on the part of the Tenant to be paid, observed and performed, the Landlord demises and leases to the Tenant and the Tenant rents from the Landlord the Leased Premises.

### **3.02 Commencement and Termination Date of Term**

The Tenant will have and hold the Leased Premises for and during the Term commencing on the Commencement Date and expiring on the Termination Date, unless terminated earlier pursuant to the provisions hereof.

### **3.03 "As Is" Condition of Leased Premises**

The Tenant agrees to accept the Leased Premises in an "as is, where is" condition, except as otherwise provided herein. The Tenant further agrees that, except as may be specifically set out herein, there is no promise, representation or undertaking binding upon the Landlord with respect to any alteration, remodelling or decoration of the Leased Premises or with respect to the installation of equipment or fixtures in the Leased Premises, or to prepare them or make them suitable for the Tenant's occupancy and use.

### **3.04 Delay in Possession**

Should the Tenant be delayed by any fault of the Landlord or any other reason (other than the fault of the Tenant) in taking possession of the Leased Premises at the start of the Commencement Date, then and only then shall the Commencement Date and the Term be postponed for the same number of days that the Tenant is delayed in taking possession of the Leased Premises. The Tenant acknowledges and agrees that such postponement shall be full settlement for any claims it might have against the Landlord for such delay.

### **3.05 Restrictive Covenant**

The Landlord hereby agrees that it shall not at any time during the Term, lease, sublease, licence or allow the occupation of any part of the Landlord's property located in Canada, servicing U.S. bound traffic, for any duty-free, banking, currency exchange or for any other retail operation, services or purposes which are or may be in any way competitive with the facilities and services offered within the Leased Premises.

### **3.06 Right to Extend the Term**

Provided that the Tenant: (i) is itself in physical occupation of the whole of the Leased Premises; (ii) has duly and regularly paid the Rent, (iii) is actively operating from the Premises and performs all of the covenants, provisos and agreements on the part of Tenant to be paid and performed in this Lease; and (iv) has given Landlord no less than twelve (12) months' written notice and no more than eighteen (18) months' written notice prior to the expiry date of the Term of its election to extend the Term, Tenant shall have the right and option to extend the Term for one (1) additional period of five (5) years (the "Extension Term") upon the same terms and conditions as in this Lease except that there shall be no further right to extend the term. If Tenant elects to exercise its said option to extend, the Term shall be automatically extended for the Extension Term covered by the option so exercised. If Tenant shall fail to give notice in writing exercising its option to extend within the time stipulated in this section 3.06 the Tenant's rights to extend the Term of this Lease shall be null and void. There will be no further right to extend the Term beyond the Extension Term.

The parties shall execute a lease extension agreement prepared by the Landlord to reflect the terms of the Extension Term.

#### **ARTICLE IV RENT**

##### **4.01 Covenant to Pay**

The Tenant will pay Rent as provided in this Lease, together with all applicable Sales Taxes, duly and punctually by way of electronic funds transfer ("EFT") from the Tenant's bank account. The Tenant undertakes to execute and deliver concurrently with this Lease such documentation as may be required by the Landlord and its bank in order to effect payment of Rent by EFT. Any invoice sent by the Landlord to the Tenant pursuant to the provisions of this Lease, other than for pre-authorized monthly Rent payments, shall be paid for by cheque to the Landlord at its address set out in Section 1.01(a) or as the Landlord otherwise directs.

##### **4.02 Base Rent**

The Tenant covenants and agrees to pay to the Landlord the annual Base Rent payable in twelve (12) equal monthly instalments on the first day of each month during the Term herein in advance together with all applicable taxes. For the first year of the Lease the Base Rent shall be \$4,000,000. The Base Rent for the second year and each succeeding year of the Lease shall be the greater of (i) \$4,000,000 or (ii) 75% of the aggregate of the Base Rent and the Percentage Rent payable by the Tenant to the Landlord for the immediately preceding Rental Year.

##### **4.03 Percentage Rent**

The Tenant covenants and agrees with the Landlord that the following Percentage Rent rates will apply for the initial Term of this Lease and for any Extension Term.

Annual Gross Sales	Percentage
\$0 - \$20,000,000	20%
\$20,000,000 - \$25,000,000	22%
>\$25,000,000	24%

The Tenant covenants and agrees with the Landlord that for each month (including any broken calendar month) of the Term or Extension Term, if applicable, the above percentage rates will be applied to the Tenant's Gross Sales during such monthly period (with the applicable percentage rate based on the Tenant's year to date Gross Sales for the then current Rental Year). If, during any month (including any broken calendar month) of the Term or the Extension Term the

calculation of Percentage Rent in such monthly period (based on the Tenant's year to date Gross Sales for the then current Rental Year) exceeds (i) the Base Rent payable for such period (based on the year to date Base Rent payable for the then current Rental Year) plus (ii) the amount of Percentage Rent previously paid by the Tenant for the then current Rental Year, the Tenant will within twenty-five (25) days following the conclusion of such monthly period, pay the resulting difference together with all applicable taxes, to the Landlord as Percentage Rent.

The Landlord and the Tenant agree that any money required to be paid as Percentage Rent as set forth in the Lease shall be deemed to be Rent and be collectible as Rent and the Landlord shall have the same remedies in respect of arrears of Percentage Rent as it has in respect to arrears of Base Rent.

For clarity, below is an example of the calculation of Base Rent and Percentage Rent in accordance with Sections 4.02 and 4.03 of the Lease:

Year	Gross sales	75% PY rent Calculation	Base rent Minimum	Calculated annual % rent	Additional % Rent due	Total rent Due
1	\$ 24,000,000		\$ 4,000,000	\$ 4,880,000	\$ 880,000	\$ 4,880,000
2	\$ 26,000,000	\$ 3,660,000	\$ 4,000,000	\$ 5,340,000	\$ 1,340,000	\$ 5,340,000
3	\$ 35,000,000	\$ 4,005,000	\$ 4,000,000	\$ 7,500,000	\$ 3,495,000	\$ 7,500,000
4	\$ 24,000,000	\$ 5,625,000	\$ 4,000,000	\$ 4,880,000	-	\$ 5,625,000
5	\$ 22,000,000	\$ 4,218,750	\$ 4,000,000	\$ 4,440,000	\$ 221,250	\$ 4,440,000
6	\$ 20,000,000	\$ 3,330,000	\$ 4,000,000	\$ 4,000,000	-	\$ 4,000,000

In the example above Base Rent and Percentage Rent would be as follows: in year one of the Lease Base Rent is \$4,000,000 and Percentage Rent is \$880,000; in year two Base Rent would be \$4,000,000 and Percentage Rent would be \$1,340,000; in year three Base Rent would be \$4,005,000 and Percentage Rent would be \$3,495,000; in year four Base Rent would be \$5,625,000 and Percentage Rent would be \$0; in year five Base Rent would be \$4,218,750 and Percentage Rent would be \$221,250; and in year six Base Rent would be \$4,000,000 and there would be no Percentage Rent.

In year four, because the annual calculated Percentage Rent is less than the Base Rent for that year, no additional Percentage Rent would be due. In year five, Base Rent is \$4,218,750 (greater of \$4,000,000 or 75% of prior year total rent). The total calculated Percentage Rent for year five is \$4,440,000. Because the calculated Percentage Rent is greater than the Base Rent, the difference of \$221,250 would be due as Percentage Rent for that year.

#### 4.04 Accrual of Rent

Rent shall be considered as accruing from day to day hereunder from the Commencement Date. If it is necessary for any reason to re-calculate such Rent for an irregular period during the relevant Rental Year, an appropriate apportionment and adjustment shall be made on a per diem basis based upon a 365 day calendar year.

#### 4.05 Rent and Payments Generally

All Rent and other payments by the Tenant to the Landlord of whatsoever nature required or contemplated by this Lease, which are payable by the Tenant to the Landlord, shall:

- (a) be paid when due hereunder, without prior demand therefor and without any abatement, set-off, compensation or deduction whatsoever (except as otherwise specifically provided for in this Lease);
- (b) be applied towards amounts then outstanding hereunder in such manner as the Landlord determines in its sole discretion;
- (c) bear interest at a rate equal to twenty-four percent (24%) per annum, calculated and payable monthly from the date such Rent or other payments became due to and including the date of payment;
- (d) an administrative charge of \$150.00 will be charged in connection with any late payment or returned cheque to cover the Landlord's additional administration costs;
- (e) in addition the Tenant shall pay all Sales Taxes. The amount of such Sales Taxes will be calculated by the Landlord in accordance with the applicable legislation and will be paid to the Landlord (or to the lawful taxing authority, as the Landlord may direct) on the due date of the amounts in respect of which such Sales Taxes are payable. All such payments shall be made prior to the date that the same shall become due and payable and any interest and any penalties assessed as a result of any default in or late payment of same shall be the sole responsibility of the Tenant. Notwithstanding any other provision of this Lease, the amount payable by the Tenant under this section shall be deemed not to be Rent but the Landlord shall have all of the same remedies for and rights of recovery of such amount as it has for the recovery of Rent under this Lease or otherwise; and
- (f) if the Commencement Date is on a day other than the first day of a calendar month or if the Term ends on any day other than the last day of the month, Rent for the fractions of a month at the Commencement Date and at the end of the Term shall be calculated on a pro rata basis.

#### 4.06 Letter of Credit

The Tenant covenants that, on or before the Commencement Date, the Tenant shall deliver to the Landlord an irrevocable and unconditional letter of credit or other form of cash collateral security satisfactory to the Landlord (the "**Letter of Credit**") in favour of Landlord issued by a Schedule 1 Canadian chartered bank in the amount of \$50,000.00, which shall be held by the Landlord during the Term and any Extension Term. The Letter of Credit shall be in such form as is approved in advance by the Landlord. If at any time during the Term or any Extension Term, the Tenant defaults in the payment of any Rent or other amounts payable under this Lease or in the performance of any of its other obligations under this Lease or if this Lease is surrendered, terminated, disclaimed or repudiated whether by Landlord as a result of default of Tenant or in connection with any insolvency or bankruptcy of Tenant or otherwise, then Landlord at its option

may, in addition to any and all other rights and remedies provided for in this Lease or at law, draw a portion of or all of the principal amount of the Letter of Credit, whereupon the proceeds thereof shall be applied to compensate Landlord for damages suffered by it as the result of Tenant's default, and the balance, if any, will be returned to the Tenant. If the Landlord draws all or part of the Letter of Credit, the Tenant shall provide the Landlord with a replacement Letter of Credit in the full amount of \$50,000 upon written demand from the Landlord to do so.

The rights of Landlord hereunder, in respect of the Letter of Credit, shall continue in full force and effect and shall not be waived, released, discharged, impaired or affected by reason of the release or discharge of Tenant in any receivership, bankruptcy, insolvency, winding-up or other creditors' proceedings including, without limitation, any proceedings under the *Bankruptcy and Insolvency Act* (Canada) or the *Companies Creditors' Arrangement Act* (Canada), or the surrender, disclaimer, repudiation or termination of the Lease in any such proceedings and shall continue with respect to the periods prior thereto and thereafter as if the Lease had not been surrendered, disclaimed, repudiated, or terminated.

At the end of the Term or any Extension Term if applicable and provided that the Tenant is not then in default, which default remains uncured, under the terms of this Lease, the Landlord shall return the Letter of Credit, or the remaining balance of the Letter of Credit if it has been drawn upon in accordance with the terms hereof, to the Tenant.

## **ARTICLE V FINANCIAL INFORMATION**

### **5.01 Monthly Statements**

The Tenant shall furnish in writing to the Landlord by the tenth (10th) calendar day of the succeeding month, monthly statements of the Tenant's Gross Sales, patron counts, vehicle counts for the preceding month, and any other similar financial or statistical information which the Landlord may request. The monthly statement of the Tenant's Gross Sales shall: (i) state that the Tenant's Gross Sales as reported in the monthly statement is in accordance with the definition of Tenant's Gross Sales in Section 2.01(ss) (ii) contain a certification by the Tenant that the monthly statement is correct; (iii) is in the detail and form that the Landlord requires; and (iv) without limiting the requirements stated above, shows (1) the amount of Tenant's Gross Sales for the preceding month, (and fractional months, if any, at the commencement or end of the Term); (2) the amount of Tenant's Gross Sales for all preceding months of the Rental Year, (and fractional months, if any, at the commencement or end of the Term); and (3) the monthly payments made on account of Basic Rent and Percentage Rent for the Rental Year.

Failure of the Tenant to comply with this provision shall at the option of the Landlord constitute a default under the terms of this Lease and the Landlord shall be entitled to exercise all of its rights and remedies as herein provided.

### **5.02 Annual Statements**

The Tenant shall furnish in writing to the Landlord within forty five (45) calendar days of the end of each year of this Lease and any renewal thereof, the Tenant's Audited Gross Sales statements. Failure of the Tenant to comply with this provision shall at the option of the Landlord constitute a



default under the terms of this Lease and the Landlord shall be entitled to exercise all of its rights and remedies as herein provided.

If the total of the Percentage Rent paid by the Tenant in respect of a Rental Year is less than the amount of Percentage Rent payable for such Rental Year calculated based on the Tenant's Audited Gross sales statement delivered in accordance with this Section 5.02, the Tenant shall pay the difference to the Landlord no later than the first day of the month immediately following the month in which the Landlord receives the statement. Provided that the Tenant is not in default, if the Percentage Rent paid is greater than the actual amount of Percentage Rent payable for such Rental Year, the difference shall be applied in reduction of future payments, if any, due under this Lease, or if no future payments are due, shall be refunded to the Tenant.

### **5.03 Traffic Reports**

The Landlord shall provide the Tenant with a copy of the daily bridge traffic counts for the Peace Bridge.

### **5.04 Books and Records**

The Tenant will keep in the Leased Premises or at its principal office in Canada, for at least four (4) years after the end of each Rental Year, adequate books and records kept in accordance with generally accepted accounting principles that show inventories and receipts of merchandise at the Leased Premises and daily receipts from all sales, charges, services and other transactions, in or from the Leased Premises made by the Tenant and any other Persons conducting business in or from the Leased Premises as well as sales tax returns, pertinent original sales records, and any other sales records that the Landlord reasonably requires and that would normally be examined by an accountant pursuant to accepted auditing standards in performing a detailed audit of Tenant's Gross Sales. The Tenant will also cause the records described above to be kept by all Persons doing business in or from the Leased Premises. The Tenant, and all other Persons conducting business in or from the Leased Premises, will record at the time of the sale, in the presence of the customer, all receipts from sales, charges, services or other transactions whether for cash or credit, in a cash register or registers having a sealed cumulative total and any other control features that are required by the Landlord.

### **5.05 Right to Examine**

The Tenant shall make available for inspection and audit by a representative of Landlord, at reasonable times during business hours, all such books, records and other information in order to allow Landlord to verify such statements of Tenant's Gross Sales and the inventories of merchandise at the Leased Premises. The Landlord and its authorized representatives may examine the Tenant's records and procedures during regular business hours, and may have a Person in the Leased Premises to check, verify and tabulate the Tenant's Gross Sales, or to examine accounting records and procedures including control features affecting the determination of the Tenant's Gross Revenue.

### **5.06 Audit**

The Landlord may, at reasonable times, cause a complete audit to be made of the Tenant's business and records relating to the calculation of the Tenant's Gross Sales completed by an auditor who shall be a chartered accountant or other accredited public accountant independent of the Landlord. If the auditor reports that the Tenant's records and procedures are insufficient to permit a determination of the Tenant's Gross Sales for a Rental Year, or a part of a Rental Year, or that the Tenant is not complying with this ARTICLE V, the Landlord may deliver to the Tenant an estimate (which will be final and binding on the Tenant) of the Tenant's Gross Sales for the relevant period and the Tenant will immediately pay to the Landlord the amount shown in the estimate to be owing.

If any inspection or audit by Landlord reveals an understatement by Tenant of the Tenant's Gross Sales by more than two percent (2%) and such understatements occur twice or more within any five-year period, Tenant shall pay Landlord on demand for the cost of each such inspection and audit, as well as five (5) times the amount by which Rent was understated or underpaid for each applicable period. If the Tenant substantially, continually or repeatedly fails to produce records and follow procedures sufficient to permit a determination of the Tenant's Gross Sales or if the Tenant's Audited Gross Sales is understated by two percent (2%) or more on more than three (3) occasions, then in addition to any other remedies of the Landlord under this Lease or otherwise, the Landlord may terminate this Lease on five (5) days' prior written notice to the Tenant. Landlord must inspect and audit such records within two years after the date of each annual statement and Landlord's inspection and audit shall be limited to the period covered by such statement.

### **5.07 Confidentiality**

The Landlord undertakes to treat the financial information of the Tenant provided to the Landlord under this Lease as strictly confidential and not to divulge such financial information to any person, firm, corporation or other entity (other than the Landlord's directors, officers, employees or professional advisors who have a need to know such financial information and who shall be obligated to treat all such financial information confidential). The confidentiality obligations under this Section 5.07 shall not apply to: (i) information which is generally available to the public; (ii) information which after disclosure by the Landlord becomes generally available to the public, otherwise than through any act or omission on the part of the Landlord; or (iii) information which the Landlord is obligated to disclose by law.

### **5.08 Tenant's Failure**

If the Tenant fails to deliver a statement or an audit opinion required under this ARTICLE V within the time required, the Landlord may, on five (5) days' notice to the Tenant, employ an auditor to examine the Tenant's books and records to certify the amount of the Tenant's Gross Sales for the period related to the statement or the audit opinion, and the Tenant will pay to the Landlord, on demand, as Additional Rent the cost of the examination together with the sums shown by the examination to be owing on account of Percentage Rent with interest on the latter calculated from the date the statement or the audit opinion was required at five percent (5%) above the Prime Rate.

**ARTICLE VI**  
**PROPERTY TAXES AND OPERATING COSTS**

**6.01 Property Taxes Payable by the Tenant**

The Tenant shall pay to the Landlord, as Additional Rent, all Property Taxes levied, rated, charged or assessed throughout the Term, on or in relation to the Leased Premises, or any part thereof, in accordance with the following:

- (a) payment shall be due in equal monthly installments over each taxation period or such shorter period as Landlord may reasonably require such that the Landlord will have received an amount sufficient to pay each installment of Property Taxes when due to the taxing authorities. Prior to the commencement of each taxation period, the Landlord shall estimate the amount of such equal monthly installments and notify the Tenant in writing of such estimate. From time to time during the taxation period, the Landlord may re-estimate the amounts payable for such taxation period, in which event the Landlord shall notify the Tenant in writing of such re-estimate and fix monthly installments for the remaining balance of such taxation period;
- (b) to the extent that a separate assessment and separate tax bill for Property Taxes in respect of the Leased Premises are not provided by the assessment and/or taxing authorities, the Tenant will pay a share of Property Taxes levied, rated, charged or assessed on or in relation to all of the Lands on such basis as the Landlord shall reasonably and equitably determine. To the extent the Leased Premises are assessed and billed separately with respect to any Property Taxes, then, at the election of the Landlord, the Tenant's share of such Property Taxes shall be computed on the basis of such separate assessments or apportionments; and
- (c) if the Landlord so directs, the Tenant shall pay Property Taxes directly to the taxing authorities. In that event, the Tenant shall make payment on or before the due date of each installment and shall provide to the Landlord on demand evidence of payment in the form of receipted bills.

**6.02 Contesting Property Taxes**

Property Taxes, or the assessments in respect of Property Taxes which are the subject of any contest by Landlord or Tenant, shall nonetheless be payable in accordance with the foregoing provisions hereof, provided, however, that in the event Tenant shall have paid any amount in respect of Property Taxes in excess of the amount ultimately found payable as a result of the disposition of any such contest, and Landlord receives a refund in respect thereof, the appropriate amount of such refund shall be refunded to or, at the option of Landlord, credited to the account of Tenant. Landlord may contest any Property Taxes with respect to the Leased Premises or all or any part of the Lands and appeal any assessments related thereto and may withdraw any such contest or appeal or may agree with the relevant authorities on any settlement, compromise or conclusion in respect thereof and Tenant consents to Landlord's so doing. Tenant will co-operate with Landlord in respect of any such contest and appeal and shall make available to Landlord such information in respect thereof as Landlord requests. Tenant will execute forthwith on request all

consents, authorizations or other documents as Landlord requests to give full effect to the foregoing.

Tenant will not contest any Property Taxes or appeal any assessments related to the Leased Premises or the Lands. However, provided Landlord is not otherwise contesting such assessment, Tenant may contest any separate assessment that relates solely to the Leased Premises, with the consent of Landlord, such consent not to be unreasonably withheld, provided that Tenant shall be solely responsible, and shall indemnify Landlord, for all costs, penalties or fees, relating to such contest, including without limitation, any resulting increase in Property Taxes. Tenant shall pay to Landlord forthwith upon demand such reasonable share as allocated by Landlord, acting reasonably, of all costs and expenses of any kind incurred by Landlord bona fide and acting reasonably in obtaining or attempting to obtain information in respect of or a reduction or re-allocation in respect of Property Taxes and any assessments related thereto including, without limitation, legal, appraisal, administration and overhead costs.

### **6.03 Business Taxes**

In each and every year during the Term, the Tenant shall either pay all Business Taxes as Additional Rent or discharge within fifteen (15) days after they become due and indemnify the Landlord from and against payment of, and any interest or penalty in respect of Business Taxes.

### **6.04 Operating Costs**

In each Rental Year, the Tenant will pay to the Landlord, as Additional Rent, the costs, expenses, fees, rentals, disbursements and outlays of every nature and kind paid, payable or incurred by or on behalf of the Landlord in owning, maintaining, repairing, replacing, operating, administering and managing the Leased Premises (the "**Operating Costs**"). The Operating Costs shall include, without limitation or duplication, all of the following costs, expenses, fees, rentals, disbursements and outlays:

- (a) the cost of the Landlord's insurance premiums on lands, buildings, improvements, equipment and other property in the Leased Premises together with all amounts falling below the level of the Landlord's insurance deductibles which are paid by the Landlord in connection with claims made against it, including the costs of the insurance detailed in Section 10.06. The Landlord's insurance and costs of insurance may include, without limitation, (A) loss of insurable gross profits attributable to the perils insured against by the Landlord or commonly insured against by landlords, including loss of Rent and other amounts receivable from the Tenant pursuant to this Lease, (B) commercial general liability coverage including the exposure of personal injury, bodily injury and property damage occurrence, including all contractual obligations coverage and including actions of the employees, contractors, subcontractors and agents working on behalf of the Landlord and (C) costs and expenses for defending and payment of claims below deductibles;

- (b) accounting, auditing, legal and other professional and consulting fees relating to any reports or actions required to be taken by the Landlord under the terms of this Lease;
- (c) the cost of any and all environmental inspections and Environmental Site Assessments of the Leased Premises conducted by the Landlord from time to time which are not the responsibility of the Tenant;
- (d) the cost of any and all repairs, replacements (including major repairs and any repairs and replacements required to comply with all Applicable Laws, or the requirements of the Landlord's insurers), preventative and ongoing maintenance and operation, inspection, engineering and service contracts and consulting services, if any, relating to the Leased Premises;
- (e) all costs incurred in contesting or appealing Property Taxes with respect to the Leased Premises or related assessments, including legal, appraisal and other professional fees and administration and overhead related thereto;
- (f) all other direct and indirect costs and expenses of every kind, to the extent incurred in or allocable to the operation, supervision, administration or management of work or maintenance at all or any part of the Leased Premises, or any of its appurtenances; and
- (g) Sales Taxes on the purchase of goods and services included in the calculation of Operating Costs to the extent that the Landlord has not recovered an input tax credit or refund in respect of the same; notwithstanding any other provision of this Lease, the amount payable by the Tenant under this paragraph shall be deemed not to be Rent but the Landlord shall have all of the same remedies for and rights of recovery of such amount as it has for the recovery of Rent under this Lease or otherwise.

#### **6.05 Payment of Operating Costs**

Before the commencement of each Rental Year, the Landlord will estimate the Operating Costs. The Tenant shall pay such estimated amount to the Landlord in equal consecutive monthly instalments, each in advance on the first day of each month during such Rental Year. The Landlord may from time to time during a Rental Year re-estimate any items of Operating Costs and may fix monthly instalments for the then remaining balance of the Rental Year so that such items will have been entirely paid during such Rental Year.

Within one hundred and twenty (120) days after the end of such Rental Year, the Landlord will determine and provide the Tenant with a statement in reasonable detail for the relevant Rental Year of the Operating Costs and Property Taxes. If the total of the monthly instalments paid by the Tenant in respect of estimated Operating Costs and Property Taxes for such Rental Year is less than the amount of Operating Costs and Property Taxes payable for such Rental Year shown on such statement, the Tenant shall pay the difference to the Landlord no later than the first day of the month immediately following the month in which the Tenant receives the statement. Provided that the Tenant is not in default, if the estimated amount of such monthly instalments paid is greater than the actual amount of Operating Costs and Property Taxes payable for such Rental Year, the

difference shall be applied in reduction of future payments, if any, due under this Lease, or if no future payments are due, shall be refunded to the Tenant. Neither party may claim a re-adjustment in respect of Operating Costs and Property Taxes for a Rental Year except by written notice delivered to the other party within one year after the delivery date of the Landlord's statement of Operating Costs and Property Taxes.

## **ARTICLE VII UTILITIES**

### **7.01 Charges for Utilities**

The Tenant shall pay promptly when due all charges, costs, accounts and any other sums payable by reason of the supply of the utilities to the Leased Premises and shall indemnify the Landlord from and against payment of, and any interest or penalty, in respect of all such utilities. The Tenant, at its own cost and expense, shall procure each and every permit, licence or other authorization required pertaining to any work required in respect of utilities consumed in or for the Leased Premises. The Tenant acknowledges and agrees that in the event any such utility supplier requires as a condition of the utility supply, or as a condition of constructing any infrastructure or installing any equipment to enable the utility supplier to provide such utility for the Tenant's use or consumption, that an agreement or contract shall be entered with the utility supplier and/or that a letter of credit or other form of security be posted with or delivered to the utility supplier, the Tenant shall, upon the written request of the Landlord, execute and deliver such agreement in the Tenant's name to such supplier, and cause to be issued, at the Tenant's sole cost and in the Tenant's name and deliver such letter of credit or other security to such supplier. Should the Tenant fail to execute and deliver any such agreement or to cause to be issued and delivered such letter of credit or to pay such other security deposit, within twenty (20) days of receipt of the Landlord's written notice that it do so, the Landlord shall be entitled on behalf of and as lawful attorney for the Tenant to execute and deliver such agreement in the name of and on behalf of the Tenant, and to pay such deposit on behalf of the Tenant, and in such event the Landlord's costs of so doing shall be payable by the Tenant forthwith upon demand as Additional Rent.

### **7.02 Tenant Not to Overload Facilities**

The Tenant shall not install any equipment which overloads the capacity of any utility, electrical or mechanical facilities in the Leased Premises. The Tenant agrees that if any changes proposed or use by the Tenant requires additional utility, electrical or mechanical facilities, the Landlord may, in its sole discretion, if they are available, elect to install them in accordance with plans and specifications to be approved in advance in writing by the Landlord and the cost thereof, together with an administration fee equal to fifteen percent (15%) of such cost, shall be payable on demand by the Tenant as Additional Rent.

### **7.03 No Liability**

In no event shall the Landlord be liable for any injury to the Tenant, its employees, agents or invitees, or to the Leased Premises, or to any property of the Tenant or anyone else, for any loss of profits or business interruption, indirect or consequential damages, or for any other costs, losses

or damages of whatsoever kind arising from any interruption or failure in the supply of any utility or service to the Leased Premises.

## **ARTICLE VIII HVAC**

### **8.01 HVAC System**

The Tenant shall be responsible, at its sole cost, for operating, maintaining, repairing and replacing the HVAC System throughout the Term. The Tenant covenants and agrees to take out and keep in force throughout the Term a standard servicing contract with a reputable company for the preventative maintenance and service of the HVAC System. Thirty (30) days prior to the end of each Rental Year (excluding the initial 2016 partial Rental Year), the Tenant will provide the Landlord with a certificate from a recognized, reputable heating and air-conditioning contractor approved in writing by the Landlord, stating that the HVAC System is in good working order. If such certificate is not provided, the Landlord may obtain such a certificate on behalf of the Tenant and if required, perform all necessary repairs and replacements to the HVAC System, and the cost of such certificate and work, together with an administration fee equal to fifteen percent (15%) of such cost, shall be payable by the Tenant to the Landlord as Additional Rent, forthwith on demand.

### **8.02 Landlord's Right to Maintain / Repair HVAC System**

In the event that the Tenant neglects or refuses to maintain and repair the heating, ventilating and/or air conditioning system and equipment serving the Leased Premises, then the Landlord, after five (5) days written notice to the Tenant during which period the Tenant has not commenced to maintain or repair the system and equipment, may maintain and repair the heating, ventilating and/or air conditioning system and equipment serving the Leased Premises and the Tenant shall reimburse the Landlord its costs and expenses of all such repairs, replacements to and maintenance and operation of the heating, ventilating and air conditioning equipment and systems which serve the Leased Premises in accordance with the terms of Section 9.05.

### **8.03 Tenant's Responsibility**

The Tenant will heat and ventilate the Leased Premises at all times throughout the Term in order to maintain reasonable conditions of temperature and humidity within the Leased Premises, in accordance with the terms of this Lease and all Applicable Laws.

## **ARTICLE IX USE OF THE LEASED PREMISES**

### **9.01 Use of the Leased Premises**

The Tenant shall not use the Leased Premises for any purpose other than the Permitted Use. The Tenant acknowledges that the Landlord is making no representations with respect to the zoning of the Property or the compliance therewith of the Tenant's Permitted Use and it shall be the Tenant's sole responsibility to satisfy itself in this regard.

## 9.02 Conduct and Operation of Business

The Tenant shall occupy the Leased Premises during the Term of the Lease and shall continuously and actively carry on the Permitted Use in the whole of the Leased Premises. In the conduct of the Tenant's business pursuant to this Lease the Tenant shall:

- (a) operate its business 24 hours a day, seven days a week, 365 days a year with due diligence and efficiency and maintain an adequate staff to properly serve all customers;
- (b) observe and obey the reasonable rules and regulations of the Landlord promulgated from time to time for reasons of safety, health or preservation of property or for the maintenance of the good and orderly appearance and operations of the Peace Bridge. Without limiting the generality of the foregoing, the Landlord, after consulting with the Tenant, may provide rules setting out where customers of the Tenant shall park their vehicles and may further provide for the orderly flow of traffic entering and exiting from the area of the Leased Premises provided such rules are reasonable and acceptable to the Tenant, acting reasonably. The Tenant agrees that it shall be responsible to provide any and all traffic direction required in or upon the Leased Premises.
- (c) abide by all reasonable rules and regulations and general policies formulated by the Landlord from time to time relating to the delivery of goods and merchandise to the Leased Premises;
- (d) not erect, maintain or display any signs or any advertising at or on the exterior of the Leased Premises without the prior written approval of the Landlord, such approval not to be unreasonably withheld;
- (e) keep the Leased Premises clean, neat and free of hazards and fire dangers at all times;
- (f) perform all landscaping and maintenance of all outside areas, including cleaning, line painting, snow and ice clearing and removal and salting of sidewalks, driveways and parking facilities and all lawn and garden maintenance;
- (g) provide policing, supervision and security as required;
- (h) maintain proper lighting in the parking facilities;
- (i) take any and all action necessary to prevent any of its employees from affecting the orderly flow of traffic in or upon the Leased Premises or any other lands owned by the Landlord;
- (j) dispose of all waste or recyclable material at a location in the Leased Premises at such times and in such manner as may be directed by the Landlord from time to time and in accordance with Applicable Law;



- (k) obtain a Licence and maintain its Licence in good standing;
- (l) provide adequate public restrooms for the anticipated number of travelers using the Peace Bridge, including persons who may not be patrons of the duty free shop;
- (m) in the event that the Tenant's Licence is terminated, revoked or suspended for any period of Time, or has expired, the Tenant shall cause its Licence to be reinstated or renewed within 60 days of such termination, revocation, suspension or expiration;
- (n) operate and manage the business at the Leased Property in a manner consistent with the Tenant's Proposal; and
- (o) abide by any and all directives of Canada Border Services Agency in regards to the conduct of the Tenant's business.

### **9.03 Nuisance and Waste**

The Tenant shall not commit any waste upon, or damage to, the Leased Premises or commit any nuisance or other act or thing and will not perform any acts or carry on any practices which may damage the Leased Premises. The Tenant will not permit any odours, vapours, steam, water, vibrations, noises or other undesirable effects to emanate from the Leased Premises or any equipment or installation therein which, in the Landlord's opinion, are objectionable, and the Tenant will not cause any interference with the safety, comfort or convenience of the Landlord.

### **9.04 Observance of Law**

The Tenant shall, at its own expense, comply with all Applicable Laws affecting the Leased Premises or the use or occupation thereof including, without limitation, police, fire and health regulations and requirements of the fire insurance underwriters. The Tenant shall carry out modifications, alterations or changes to the Leased Premises and the Tenant's conduct of business in or use of the Leased Premises which are required by any such authorities and shall keep its Licence in good standing.

### **9.05 Additional Services of the Landlord**

The Tenant shall pay to the Landlord the costs of all Additional Services provided by the Landlord to the Tenant, together with an administration fee equal to fifteen percent (15%), forthwith on demand as Additional Rent.

### **9.06 Traffic Direction**

In the event that the Landlord, after consultation with the Tenant, determines that additional traffic personnel are required as a result of the operations of Tenant, Landlord shall add such additional personnel as may be required, and Tenant and Landlord shall each pay one-half of the cost of such additional personnel.

**ARTICLE X**  
**TENANT'S ENVIRONMENTAL COVENANT AND INDEMNITY**

**10.01 Compliance with Environmental Laws and Environmental Approvals**

The Tenant shall comply with all applicable Environmental Laws and shall obtain and comply with any Environmental Approvals that may be required for the Tenant's use of the Leased Premises. Without restricting the generality of the foregoing, the Tenant shall not use, generate, handle, transport, manufacture, refine, treat, store, remove, recycle or dispose of any Contaminant on the Leased Premises except in compliance with all applicable Environmental Laws.

**10.02 Release of a Contaminant**

- (a) In the event of a Release of a Contaminant at or from the Leased Premises other than in compliance with Environmental Laws, the Tenant shall immediately notify the Landlord of the Release and shall at its own expense, immediately retain a qualified environmental consultant acceptable to the Landlord, acting reasonably, to prepare a report assessing the full nature and extent of the Release and recommending the work plan to remediate the Release and to restore the Leased Premises, any affected abutting lands, as well as the natural environment, to the condition they were in before the Release, and the Tenant shall submit this report to the Landlord for the Landlord's approval acting reasonably.
- (b) Upon the Landlord's approval of the report and at the sole option of the Landlord, either the Tenant shall arrange for the implementation of the work plan, or the Landlord shall arrange for the implementation of the work plan, in either case at the cost of the Tenant, together with an administration fee of fifteen percent (15%) of such cost, which shall be payable as Additional Rent forthwith upon receipt of written demand for payment from the Landlord.
- (c) In the event that the Landlord, acting reasonably, does not approve of the report submitted by the Tenant, the Landlord shall retain a qualified environmental consultant to prepare a report, the cost of which plus an administration fee of fifteen percent (15%) of such cost, shall be borne by the Tenant. Upon the completion of the report, at the sole option of the Landlord, either the Tenant shall arrange for the implementation of the work plan, or the Landlord shall arrange for the implementation of the work plan, in either case at the cost to the Tenant together with an administration fee of fifteen percent (15%) of such costs, which shall be payable as Additional Rent forthwith upon receipt of written demand for payment from the Landlord.
- (d) In addition, the Tenant shall be liable to the Landlord for loss of rent, loss of profits, or for any consequential, incidental, indirect, special or punitive damages of any kind resulting from the Release and any remediation required pursuant to this Section.

**10.03 Environmental Site Assessment**

The Landlord and its agent shall have the right to enter upon the Leased Premises and conduct an Environmental Site Assessment from time to time. In the event the ESA discloses a Release, any apparent or imminent contravention of Environmental Laws or other matter requiring remediation or other action in order to prevent a Claim from arising for which the Tenant or any person for whom the Tenant is responsible at law, the Tenant shall pay for the ESA; in the event the ESA does not disclose such a Release or other condition, the cost of the ESA shall be paid for by the Landlord.

**10.04 Tenant's Environmental Indemnity**

The Tenant hereby indemnifies and saves harmless the Released Persons from and against any and all Claims which may be made against the Released Persons as a direct or indirect result of the failure or neglect by the Tenant to comply with any Environmental Laws or Environmental Approvals in respect to the Leased Premises, as a direct or indirect result of the existence on, in, under or adjacent to the Leased Premises of any Contaminant attributable to the Tenant's use or occupation of the Leased Premises or as a result of any Claims made against the Tenant arising from or involving Environmental Laws. This indemnity shall survive the termination or surrender of this Lease or any renewal or extension thereof and shall continue in full force and effect without time limit.

**10.05 Governmental Authority Requirements**

If any Governmental Authority having jurisdiction shall lawfully require the investigation, monitoring or remediation of any Contaminant used, held, released, discharged, abandoned or placed upon the Leased Premises or Released into the environment by the Tenant, then the Tenant shall, at its own expense, subject to Section 10.02, carry out all lawfully required work and shall provide to the Landlord full information with respect to all such work and comply with all applicable Environmental Laws with respect to such work. At the option of the Landlord, the Landlord may itself undertake such work or any part thereof at the cost and expense of the Tenant and that cost and expense plus an administration fee equal to fifteen percent (15%) shall be paid to the Landlord forthwith on demand as Additional Rent.

**10.06 Pre Existing Contaminants**

The Landlord hereby releases the Tenant from liability to the Released Persons for any and all Claims which may be made against the Released Persons as a result of the existence as at the Commencement Date of any Contaminant on, in, under or adjacent to the Leased Premises.

**10.07 Responsibility for Environmental Contaminants**

- (a) Despite any statutory provision or rule of law to the contrary, any Contaminants brought to or resulting from activities carried out on the Leased Premises during the Term or any renewal or extension thereof shall be and remain the sole and exclusive property of the Tenant and shall not become the property of the Landlord despite the degree of affixation of the Contaminants or the goods contained in the Contaminants to the Leased Premises and despite the expiry, repudiation,

disclaimer or earlier termination of this Lease; and, at the option of the Landlord, to the extent there is non-compliance with applicable Environmental Laws, any substance, including soil and groundwater contaminated by such Contaminants shall become the property of the Tenant.

- (b) The Tenant covenants and agrees to carry out at the request of the Landlord at its own cost and expense, remediation of all Contamination of the Leased Premises arising out of the Tenant's uses or occupation thereof so that the soil and groundwater condition of the Leased Premises and any affected areas beyond the Leased Premises or property owned or controlled by a third party, complies with remediation criteria set out in guidelines, policies, criteria or otherwise established under Environmental Laws. Risk assessment will not be used unless agreeable to the Landlord. This covenant shall survive the Termination Date.
- (c) At the option of the Landlord, the Landlord may itself undertake such work or any part thereof at the cost and expense of the Tenant and that cost and expense plus an administration fee equal to fifteen percent (15%) shall be paid to the Landlord forthwith on demand as Additional Rent; but having commenced such work, the Landlord shall have no obligation to the Tenant to complete such work.
- (d) The obligations of the Tenant hereunder relating to Contaminants shall survive any assignment, expiry, repudiation, disclaimer or earlier termination of this Lease. To the extent that the performance of those obligations requires access to or entry upon the Leased Premises, the Tenant shall have such entry and access after such expiry, repudiation, disclaimer or earlier termination only at such times and upon such terms and conditions as the Landlord may reasonably from time to time specify.

## ARTICLE XI INSURANCE AND INDEMNITY

### 11.01 Tenant's Insurance

The Tenant will obtain and maintain the following insurance throughout the Term and any renewal or extension thereof:

- (a) "All risks" (including flood and earthquake) property insurance for the full replacement cost, insuring (a) all property owned by the Tenant, or for which the Tenant is responsible, and located within the Leased Premises including, but not limited to, fittings, fixtures, additions, alterations, partitions and all other Leasehold Improvements, and (b) the Tenant's furniture, inventory and equipment;
- (b) broad form boiler and machinery insurance on a blanket repair and replacement basis with limits for each accident in an amount equal to at least the replacement cost of the property with respect to all boilers and machinery owned or operated by the Tenant or by others (other than the Landlord) on behalf of the Tenant in the Leased Premises;

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- (c) Business interruption insurance for a minimum period of twenty-four (24) months or such longer period that will reimburse the Tenant for direct and indirect loss of earnings and profit attributable to damage caused by the perils insured against under Subsections (a) and (b) above, and other perils insured by prudent tenants, or attributable to prevention of access to the Leased Premises by civil authorities;
- (d) Commercial general liability insurance under a standard commercial general liability form which shall include coverage against bodily injury, including death, and property damage. Such insurance shall:
  - (i) include extensions such as personal injury, blanket contractual liability, employers liability, owner's and contractor's protective liability, cross liability, severability of interests coverage, breach of warranty clause and non-owned automobile insurance;
  - (ii) cover the Tenant's use of the Leased Premises, including all of the Tenant's activities and operations therein and any other Persons performing work on behalf of the Tenant, and those for whom the Tenant is responsible at law;
  - (iii) be written on an "occurrence" form with inclusive limits of liability not less than Five Million Dollars (\$5,000,000.00) per occurrence or such higher limits as the Landlord may require from time to time;
  - (iv) include tenant's legal liability insurance covering the perils of "all risks" for the replacement cost of the Leased Premises, including loss of use thereof; and
  - (v) include standard automobile insurance covering third party liability with limits of liability not less than One Million Dollars (\$1,000,000.00) per accident, plus accident benefits, for all automobiles owned or operated by or on behalf of the Tenant; and
- (e) Any other form of insurance the Tenant, the Landlord or its Mortgagee may require from time to time, in form, in amounts insured, and for perils or risks insured against, which a prudent tenant would insure.

#### **11.02 Requirements of Insurance**

- (a) The policies required under Sections 11.01(a), 11.01(b), 11.01(c) and 11.01(d) above will also contain a waiver of all subrogation rights which the Tenant's insurers may have against the Released Persons whether or not the damage is caused by their act, error, omission or negligence.
- (b) All policies will:
  - (i) be placed with insurers acceptable to the Landlord, in a form acceptable to the Landlord;

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- (ii) name the Released Persons and such other Persons as the Landlord may designate from time to time, as additional insureds;
  - (iii) be primary, and not excess or contributing with any other insurance available to the Landlord;
  - (iv) provide for deductibles which are acceptable to the Landlord;
  - (v) not be invalidated as respects the interests of the Released Persons, or any of them, by reason of any breach or violation of warranty, representation, declaration or condition contained in the policies, or any of them; and
  - (vi) contain a condition by insurers to notify the Released Persons in writing not less than thirty (30) days before any cancellation or material change in policy conditions is effected.
- (c) The Tenant will deliver certificates of insurance duly executed by the Tenant's insurers or their duly authorized representatives, evidencing that all such insurance described above is in full force and effect prior to going into occupancy of the Leased Premises and thereafter at least thirty (30) days prior to the expiry of the then current term of the insurance. Such certificates must confirm the limits and special conditions of such insurance as required by this Section. No review or approval by the Landlord of any such insurance certificates shall operate to derogate from or diminish the Landlord's rights under this Lease.

### **11.03 Sign Insurance**

The Tenant shall insure and keep insured, at its expense, all signs relating to the Tenant's business placed or erected on the exterior of the Leased Premises for and in its name and in the name of the Landlord. The Tenant waives any right of complaint as to the form and location of the Landlord's existing signs.

### **11.04 Increase in Insurance Premiums**

The Tenant will comply promptly with all requirements of the Insurer's Advisory Organization and of each insurer pertaining to the Leased Premises. If the occupancy of the Leased Premises, the conduct of business in the Leased Premises or any acts or omissions of the Tenant in the Leased Premises, or any part thereof, cause an increase in premiums for the insurance carried from time to time by the Landlord on the Leased Premises, the Tenant shall pay the increase as Additional Rent immediately after invoices for the additional premiums are rendered by the Landlord.

### **11.05 Cancellation of Insurance**

If any insurance policy on the Leased Premises is cancelled, or threatened by the insurer to be cancelled, or if the coverage under any insurance policy is reduced in any way by the insurer because of the use or occupation of any part of the Leased Premises by the Tenant or by any occupant of the Leased Premises, and if the Tenant fails to remedy the condition giving rise to the cancellation, threatened cancellation or reduction of coverage within forty-eight (48) hours after

notice by the Landlord, the Landlord may either: (a) re-enter and take possession of the Leased Premises immediately by leaving upon the Leased Premises a notice of its intention to do so, following which the Landlord will have the same rights and remedies as are contained in Article XVII; or (b) enter upon the Leased Premises and remedy the condition giving rise to the cancellation, threatened cancellation or reduction of coverage, and the Tenant will immediately pay the costs and expenses to the Landlord, together with an administration fee equal to fifteen percent (15%) of such costs and expenses, which costs and expenses may be collected by the Landlord as Additional Rent, and the Landlord will not be liable for any damage or injury caused to any property of the Tenant or others located on the Leased Premises as the result of the entry. Such an entry by the Landlord is not a re-entry or a breach of any covenant for quiet enjoyment.

#### **11.06 Landlord's Insurance**

The Landlord will obtain and maintain the following insurance throughout the Term of this Lease and any renewal or extension thereof:

- (a) insurance on the Building and improvements and equipment contained therein owned or leased by Landlord or which Landlord desires to insure against damage by fire and extended perils coverage in those reasonable amounts and with those reasonable reductions that would be carried by a prudent owner of a reasonably similar premises, having regard to size, age and location;
- (b) broad form boiler and machinery insurance on a blanket repair and replacement basis with limits for each accident in an amount equal to at least the replacement cost of the boilers and machinery owned by the Landlord, including the HVAC System;
- (c) public liability and property damage insurance with respect to the Landlord's operations in the Leased Premises, in those reasonable amounts and with those reasonable deductibles, that would be carried by a prudent owner of a reasonably similar premises, having regard to size, age and location; and
- (d) such other forms of insurance which the Landlord or the Mortgagee considers advisable from time to time.

Despite this Section 11.06, and regardless of any contribution by the Tenant to the costs of insurance premiums: (i) the Tenant is not relieved of any liability arising from or contributed to by its negligence or its wilful acts or omissions; and (ii) no insurable interest is conferred upon the Tenant under any policies of insurance carried by the Landlord and the Tenant has no right to receive any proceeds of any such insurance policies. The costs of the Landlord's insurance under this Section 11.06 will be included in Operating Costs.

#### **11.07 Loss or Damage**

None of the Released Persons shall be liable for any death or injury from or out of any occurrence in, upon, at or relating to the Leased Premises, or damage to property of the Tenant or of others located on the Leased Premises, and will not be responsible for any loss of or damage to any property of the Tenant or others from any cause whatsoever, whether or not the death, injury, loss

or damage results from the negligence of the Released Persons, or any of them. Without limiting the generality of the foregoing, the Released Persons will not be liable for any injury or damage to Persons or property resulting from fire, explosion, falling plaster, steam, gas, electricity, water, rain, flood, snow or leaks from any part of the Leased Premises or from the pipes, appliances, plumbing works, roof, subsurface of any floor or ceiling or from the street or any other place, or from any dampness or by any other cause whatsoever. None of the Released Persons shall be liable for any damage caused by occupants of adjacent property, or the public, or caused by construction or by any private, public or quasi public work. All of the property of the Tenant kept or stored on the Leased Premises shall be kept or stored at the risk of the Tenant only, and the Tenant will indemnify the Released Persons and save them harmless from any claims arising out of any damages to that property including, but not limited to, any subrogation claims by the Tenant's insurers.

#### **11.08 Indemnification of the Landlord**

Despite anything to the contrary contained in this Lease, the Tenant will indemnify the Released Persons and save them harmless from and against any and all Claims (including loss of Rent payable by the Tenant under this Lease), in connection with loss of life, personal injury, damage to property or any other loss or injury whatsoever arising from or out of this Lease, or any occurrence in, upon or at the Leased Premises, or the occupancy or use by the Tenant of the Leased Premises, or any part thereof, or occasioned wholly or in part by any act or omission of the Tenant or by anyone permitted to be on the Leased Premises by the Tenant. If a Released Person, without fault on its part, is made a party to any litigation commenced by or against the Tenant, then the Tenant will protect, indemnify and hold the Released Person harmless and will pay all costs, expenses and reasonable legal fees (on a substantial indemnity basis) incurred or paid by the Released Person in connection with that litigation. The Tenant will also pay all costs, expenses and legal fees (on a substantial indemnity basis) that may be incurred or paid by the Landlord in enforcing the terms, covenants and conditions in this Lease, unless a court decides otherwise. This indemnity will survive the Termination Date.

### **ARTICLE XII MAINTENANCE, REPAIRS AND ALTERATIONS**

#### **12.01 Maintenance and Repairs and Replacement by the Tenant**

The Tenant shall, throughout the Term and any extension or renewal thereof, at its sole cost, keep the Leased Premises in a first class condition, as required by the Landlord. The Tenant shall, at its sole cost and expense, maintain, repair and replace, as required, the following:

- (a) the whole of the Leased Premises including, but not limited to, entrances, and all glass, windows and doors, including their frames and mouldings;
- (b) all signs (both interior and exterior), partitions, trade fixtures and Alterations located in or upon the Leased Premises;
- (c) the exterior areas of and facilities on the lands included in the Leased Premises which include, without limitation, the parking areas, driveways, sidewalks, loading



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areas, concrete aprons, curbs, gutters, access points, control gates, security barriers or fences, landscaped areas;

- (d) the structural components of the Building including, without limitation, the roof (including the roof deck and roof membrane), foundations, interior walls, interior concrete slab floors and exterior walls; and
- (e) all Building Systems.

If any of the foregoing repairs or replacements (excluding repairs or replacement of the HVAC System) are of a capital nature that are required as a result of the useful life of a capital asset coming to an end and are capable of being amortized by the Landlord according to generally accepted accounting principles, the Tenant may request that same be paid for by the Landlord and charged back to Tenant as Additional Rent with the costs of such items to be amortized over such period as determined by Landlord, provided that such determination is made in accordance with generally accepted accounting principles, on a straight line basis to zero and interest to be calculated and paid annually during the Term on the unamortized cost of such items in respect of which amortization is included at 4% per annum in excess of the Prime Rate. For greater certainty, capital repairs do not include (i) repairs necessary to keep an asset in as good working condition as such asset was as of the Commencement Date (reasonable wear and tear excepted); (ii) any wear on or elimination of parking lot lines, black topping or asphalt sealing, or tarring or asphaltting of cracks or holes or asphaltting of less than the entire of the driveway or parking lot; or (iii) any replacement of glass in the windows.

The Landlord shall cooperate with the Tenant so that in the performance of the Tenant's covenants in this Section 12.01 and the Tenant will have the benefit of any warranties held by the Landlord in respect of the Building.

## **12.02 Landlord's Approval of Alterations**

- (a) Except as provided in Section 12.02(b), the Tenant will not make any repairs, alterations, replacements, Leasehold Improvements or improvements (collectively the "**Alterations**") to the Leased Premises without first obtaining the Landlord's prior written approval. Prior to commencing any Alterations, the Tenant will submit to the Landlord: (i) details of the proposed Alterations including drawings and specifications; (ii) any indemnification or security against liens, costs, damages and expenses the Landlord requires; and (iii) evidence that the Tenant has obtained the necessary consents, permits, licences and inspections from all governmental authorities having jurisdiction.
- (b) The Tenant shall not be required to obtain the Landlord's prior written approval for any minor decorations to the interior of the Building.
- (c) Alterations shall be performed at the Tenant's sole cost in a good and workmanlike manner by competent workmen, in accordance with the drawings and specifications approved by the Landlord and subject to the reasonable restrictions imposed by the Landlord, all in accordance with the Tenant Construction Criteria.

- (d) Despite anything to the contrary contained in this Section, the Landlord may, at its option, complete the Alterations. Upon completion of the Alterations, the Tenant will pay to the Landlord, upon demand, as Additional Rent, the cost of the Alterations as well as any fees related thereto as may be set out from time to time in the Tenant Construction Criteria, together with an administration fee equal to fifteen percent (15%) of such costs,

### **12.03 Landlord's Inspection**

The Tenant permits the Landlord and its agents, upon reasonable prior notice to the Tenant and during normal business hours (except in emergency) of the Tenant without interference to the operations of the Tenant, to enter the Leased Premises to examine the condition, management and operation thereof. In addition to the Tenant's obligations under Section 12.01, the Tenant shall effect the maintenance and carry out any work referred to in that Section in accordance with notice from the Landlord following its inspection. The failure to give the notice does not relieve the Tenant from its obligations under Section 12.01.

### **12.04 Surrender of the Leased Premises**

On the Termination Date or earlier termination of the Term, the Tenant shall peaceably surrender up the Leased Premises to the Landlord in first class condition, will deliver all of the keys for the Leased Premises to the Landlord and will inform the Landlord of all combinations of locks, safes and vaults, if any, in the Leased Premises. The Tenant shall also remove its trade fixtures and the Leasehold Improvements in accordance with the provisions of Section 12.07 at the Termination Date or earlier termination of the Term.

### **12.05 Repair where Tenant at Fault**

Despite anything to the contrary contained in this Lease, if the Leased Premises or any part thereof, requires repair or replacement because of the act of the Tenant, the cost of such repair or replacement, together with an administration fee equal to fifteen percent (15%) of such cost, shall be paid by the Tenant to the Landlord as Additional Rent on demand.

### **12.06 Tenant Not to Overload Floors**

The Tenant will not bring upon the Leased Premises, or any part thereof, any machinery, equipment, article or thing that by reason of its weight, size or use might in the opinion of the Landlord damage the Leased Premises and shall not at any time overload the floors of the Building.

### **12.07 Removal and Restoration by the Tenant**

- (a) Any Leasehold Improvements made by the Tenant, or made by the Landlord on the Tenant's behalf, immediately shall become the property of the Landlord and will not be removed from the Leased Premises except that: (i) the Tenant may, during the Term, in the usual course of its business, and with the prior written consent of the Landlord, remove the trade fixtures which it has installed, but only if they have become excess for the Tenant's purposes or if the Tenant is substituting new and similar trade fixtures, and the Tenant is not in default under this Lease; (ii) the

Tenant will, at the expiration of the Term, at its cost, remove all of its trade fixtures installed in the Leased Premises and those Leasehold Improvements which the Landlord requires to be removed; and all Contaminants required pursuant to ARTICLE X.

- (b) The Tenant will repair any damage to the Leased Premises caused by the installation or removal of the items described in subsection (a) above. This obligation will survive the Termination Date or earlier termination of the Term.
- (c) If the Tenant does not remove any of the items described in subsection (a) which it is required to remove, the Landlord may do so and the Tenant will pay the Landlord's removal, disposal, sale and storage charges. Any Leasehold Improvements or other items not removed shall, at the Landlord's option, become the property of the Landlord and may be removed from the Leased Premises and sold or disposed of by the Landlord in such manner as it deems advisable.
- (d) The parties agree that the Tenant's trade fixtures do not include any of the following: (i) the HVAC System; (ii) floor coverings, ceilings, partitioning and draperies; (iii) light fixtures; (iv) washroom fixtures and hot water tank; (v) electrical service including any transformer; (vi) internal stairways; (vii) show windows and doors; and (viii) signs, all of which are Leasehold Improvements.

#### **12.08 Tenant Capital Expenditures and Improvements**

The Tenant shall, in compliance with the provisions contained in this Lease, complete the capital expenditures and Leasehold Improvements that are detailed in the Tenant's Proposal, which is attached to this Lease (as Schedule D) for purposes of outlining the proposed capital expenditures and Leasehold Improvements.

#### **12.09 Notice of Defects**

The Tenant will notify the Landlord of any damage to, or deficiency or defect in, the Leased Premises, and any equipment, utility systems or installations located therein or thereon, immediately following the date the Tenant becomes aware of such damage, deficiency or defect, whether or not the Landlord has an obligation to repair the damage, or remedy the deficiency or defect.

#### **12.10 Liens**

The Tenant will promptly pay its contractors, material men, suppliers and workmen and will do everything necessary to ensure that no lien is registered against the Leased Premises or against the Landlord's interest in the Leased Premises, or against the Tenant's interest in the Leased Premises. If such a lien is made, filed or registered on title to the Leased Premises, the Tenant will discharge it, or cause it to be discharged, immediately, at the Tenant's expense. If the Tenant fails to discharge any such lien as required herein, the Landlord, in addition to its other remedies hereunder, at law or in equity may, but shall not be required to, discharge the lien by paying the amount claimed into court, together with any security for costs, or by paying the amount claimed directly to the lien claimant and the amount so paid, together with all related costs and expenses,

including solicitor's fees (on a substantial indemnity basis) and an administration fee equal to fifteen percent (15%) of such costs and expenses, all of which shall be payable by the Tenant on demand as Additional Rent.

### **12.11 Signs and Advertising**

The Tenant shall not paint, affix or display any sign, picture, advertisement, notice, lettering or decoration on any part of the exterior of or in any part of the Building without, in each case, the prior written approval of the Landlord, such approval not to be unreasonably withheld. All signs erected by the Tenant shall comply with all Applicable Laws.

## **ARTICLE XIII DAMAGE AND DESTRUCTION AND EXPROPRIATION**

### **13.01 Damage or Destruction to the Leased Premises**

Subject to the following, if the Building, or any portion thereof, are damaged or destroyed by fire or by other casualty, Rent shall abate in proportion to the area of that portion of the Building which, in the opinion of the Architect, is thereby rendered unfit for the purposes of the Tenant until the Building is repaired and rebuilt, and the Landlord shall repair and rebuild the Leased Premises. Notwithstanding the foregoing, if the Tenant has caused or contributed to the damage or destruction, it shall not be entitled to any abatement of Rent. Rent shall recommence to be payable one (1) day after the Landlord notifies the Tenant that the Tenant may reoccupy the Building for the purpose of undertaking its work.

### **13.02 Rights to Termination**

Notwithstanding Section 13.01:

- (a) if the Building or any portion thereof are damaged or destroyed by any cause whatsoever and cannot be rebuilt within one hundred and eighty (180) days of the damage or destruction, the Landlord may, instead of rebuilding the Building, terminate this Lease by giving to the Tenant notice of termination within thirty (30) days after the occurrence of such damage or destruction and thereupon Rent shall be apportioned and paid to the date of the occurrence of such damage or destruction and the Tenant shall immediately deliver up vacant possession of the Leased Premises to the Landlord; and
- (b) if the Building shall, at any time, be wholly or partially damaged or destroyed to the extent that twenty-five percent (25%) or more of the Building has become unfit for use, the Landlord may elect, within thirty (30) days from the date of the occurrence of such damage or destruction, to terminate this Lease on thirty (30) days' notice to the Tenant, in which event Rent shall remain payable until the date of termination (unless it has abated under Section 13.01).

### **13.03 Certificate Conclusive**

Any decisions regarding the extent to which the Leased Premises have become unfit for use or the length of time required to complete any repair or reconstruction shall be made by the Architect whose decision shall be final and binding upon the parties.

### **13.04 Insurance Proceeds**

Notwithstanding Sections 13.01 and 13.02, in the event of damage or destruction occurring by reason of any cause in respect of which proceeds of insurance are insufficient to pay for the costs of rebuilding the Building, or are not payable to or received by the Landlord, or in the event that any Mortgagee or other Person entitled thereto shall not consent to the payment to the Landlord of the proceeds of any insurance policy for such purpose, or in the event that the Landlord is not able to obtain all necessary approvals and permits from Governmental Authorities to enable it to rebuild the Building, the Landlord may elect, on written notice to the Tenant, within thirty (30) days following the occurrence of such damage or destruction, to terminate this Lease, and the Tenant shall immediately deliver up vacant possession of the Leased Premises to the Landlord in accordance with the Landlord's notice.

### **13.05 Landlord's Rights of Rebuilding**

In performing any reconstruction or repair, the Landlord may use drawings, designs, plans and specifications other than those used in the original construction of the Building and may alter or relocate the Building. The Landlord shall have no obligation to grant to the Tenant any allowances or inducements to which it may have been granted at the beginning of the Term, and shall not be required to repair any damage to Leasehold Improvements (which include the HVAC System), fixtures, chattels the Tenant's trade fixtures or any other property of the Tenant.

### **13.06 Negligence of the Tenant**

Notwithstanding anything to the contrary contained in this Lease, if any damage or destruction by fire or other casualty to all or any part of the Leased Premises is due to the fault or the negligence of the Tenant, the Tenant shall be liable for all costs and damages incurred or suffered by the Landlord without prejudice to any other rights and remedies of the Landlord and without prejudice to the rights of subrogation of the Landlord's insurer.

### **13.07 Expropriation**

If all or any part of the Leased Premises is taken or expropriated by any lawful expropriating authority, or purchased under threat of such taking, or if part of the Leased Premises is taken so that substantial alteration or reconstruction of the Building is necessary or desirable as a result thereof, this Lease shall automatically terminate on the date on which the expropriating authority takes possession. Upon any such taking or purchase, the Landlord shall be entitled to receive and retain the entire award or consideration for the affected lands and improvements, and the Tenant shall not have, and shall not advance, any claim against the Landlord for the value of the Tenant's property or its leasehold estate or the unexpired Term, or for costs of removal or relocation, or business interruption expense or any other damages arising out of such taking or purchase. Nothing herein shall give the Landlord any interest in or preclude the Tenant from seeking and

recovering on its own account from the expropriating authority any award or compensation attributable to the taking or purchase of the Tenant's improvements, chattels or trade fixtures, or the removal, relocation or interruption of its business. If any such award made or compensation paid to either party specifically includes an award or amount for the other, the party first receiving the same shall promptly account therefor to the other.

#### **ARTICLE XIV**

#### **ASSIGNMENT, SUBLETTING, PARTING WITH POSSESSION AND CORPORATE CONTROL**

##### **14.01 Transfers**

The Tenant shall not assign this Lease in whole or in part, sublet all or any part of the Leased Premises or part with or share possession of all or any part of the Leased Premises to any Person, mortgage, charge or encumbrance of this Lease or the Leased Premises or any part of the Leased Premises or other arrangement under which either this Lease or the Leased Premises become security for any indebtedness or other obligation (in each case, a “**Transfer**” and any such assignee, sub-tenant, occupant or any other Person to whom a Transfer is to be made is a “**Transferee**”) without the Landlord’s prior written consent, which consent, subject to the Landlord’s termination right set out in Section 14.02, shall not be unreasonably withheld. At the time the Tenant requests the Landlord’s consent to a Transfer, the Tenant shall provide the Landlord with a true copy of the offer and any information the Landlord may require with regard to the reputation, financial standing and business of the proposed Transferee, together with payment of a non-refundable Landlord’s administrative fee as determined from time to time by the Landlord (which fee is currently One Thousand, Two Hundred and Fifty Dollars (\$1,250.00) plus applicable Sales Taxes). This restriction on Transfer also applies to any Transfer by operation of law.

##### **14.02 Landlord’s Option to Terminate**

Within thirty (30) days following the date the Tenant requests the Landlord to consent to a Transfer and provides all the information required by the Landlord in order to consider such request, the Landlord shall notify the Tenant in writing (i) whether or not it elects to terminate this Lease or such part of it as is the subject of the Transfer and (ii) the date of such termination of this lease, if applicable. If the Landlord elects to terminate this Lease or such part of it as is the subject of the Transfer, the Tenant shall, within fifteen (15) days after receipt of the Landlord’s notice of its election to terminate, notify the Landlord whether it shall: (i) refrain from the Transfer; or (ii) accept the termination of this Lease or such part of it as is the subject of the Transfer. If the Tenant fails to deliver its notice within the fifteen (15) day period, this Lease, or such part of it as is the subject of the Transfer, shall be terminated upon the date for termination provided for in the Landlord’s notice. If the Transfer relates only to part of the Leased Premises, and this Lease is terminated as to that part, then the Tenant shall be required, at its sole cost and expense and subject to the terms of Section 12.02, to demise the Leased Premises to permit such termination to occur. If the Tenant advises the Landlord that it intends to refrain from the Transfer, then the Landlord’s election to terminate this Lease, or such part of it as is the subject of the Transfer, will have no effect.

**14.03 Consent Required**

- (a) The Landlord shall not be considered to be unreasonably withholding its consent, and may, whether or not it would otherwise be considered unreasonable, refuse to give its consent, if its reason or reasons for doing so is or are based upon all or any of the following factors:
  - (i) any factor which a court of law would consider to be reasonable;
  - (ii) the Tenant is in default under this Lease, whether or not an Event of Default has occurred;
  - (iii) the proposed Transfer does or could result in violation or breach of any covenants or restrictions affecting the Lands;
  - (iv) the Transferee does not have a good credit rating, is not of substantial means, is not capable of financing its acquisition of the Tenant's business and this Lease on terms and conditions at least as favourable as those originally obtained by the Tenant or has a history of unsuccessful business operations in the business conducted on the Leased Premises;
  - (v) the Transferee previously has been bankrupt or insolvent or has defaulted under the terms of any lease for industrial, commercial or office premises whether leased from the Landlord or other parties; or
  - (vi) any Mortgagee, whose consent is required, refuses to consent to the Transfer for whatever reason.
- (b) Upon any Transfer, the Landlord may collect Rent from the Transferee and apply the net amount collected to the Rent required to be paid under this Lease, but no acceptance by the Landlord of any payments by a Transferee shall be construed as a waiver of any right of the Landlord, or the acceptance of the Transferee as tenant or a release of the Tenant from the performance of its obligations under this Lease. Any document effecting the Transfer of this Lease and every document consenting to the Transfer shall be prepared by the Landlord or its solicitors and the legal costs and other expenses in connection with such documents shall be paid to the Landlord by the Tenant upon demand, as Additional Rent, in addition to the administration fee described in Section 14.01.
- (c) Any Transfer shall be subject to the following conditions:
  - (i) the Transferee and the Tenant shall promptly execute an agreement agreeing with the Landlord whereby the Transferee shall be bound by all the Tenant's obligations under this Lease as if the Transferee had originally executed this Lease as tenant and the Tenant shall agree to remain jointly and severally liable with the Transferee on this Lease and any renewals or extensions thereof and will not be released from any obligations under this Lease as amended from time to time;

- (ii) if the Transferee agrees to pay the Tenant or any Person any amount in excess of the Rent payable under this Lease or provides any other benefit in each case in consideration for the Transfer, the Tenant shall pay such excess amount or an amount equal to such benefit to the Landlord at the same time as the Rent is due and payable hereunder; and
- (iii) the Tenant shall pay for all of the Landlord's reasonable legal costs incurred to approve and complete all agreements necessitated by the Transfer.

#### **14.04 No Advertising of the Leased Premises**

The Tenant shall not advertise the whole or any part of the Leased Premises or this Lease for the purpose of a Transfer and will not permit any broker or other Person to do so on its behalf.

#### **14.05 Corporate Ownership**

- (a) If the Tenant is a corporation, any transfer or issue by sale, assignment, bequest, inheritance, operation of law or other disposition, or by subscription from time to time of all or any part of the corporate shares of the Tenant, or of any holding body corporate or subsidiary body corporate of the Tenant, or any corporation which is an affiliated body corporate of or is associated with the Tenant (as those terms are defined in the *Canada Business Corporations Act*, as amended, which results in any change in the present effective voting control of the Tenant by the Person holding that voting control at the date of execution of this Lease (or at the date of a Transfer to a corporation) shall be considered to be a Transfer to which Section 14.01 of this Lease apply. The Tenant shall make all corporate books and records of the Tenant available to the Landlord for inspection at all reasonable times.
- (b) Section 14.05(a) does not apply to the Tenant as long as: (i) the Tenant is a public corporation whose shares are traded and listed on any recognized stock exchange in Canada or the United States; or (ii) the Tenant is a private corporation and is controlled by a public corporation described in item (i).
- (c) The Tenant represents and warrants to and in favour of the Landlord that it has provided to the Landlord a certificate of an officer of the Tenant showing the current ownership and effective voting control of the Tenant as at the date hereof.

#### **14.06 Assignment or Transfer by the Landlord**

If the Landlord sells, leases or otherwise disposes of the Leased Premises, or if it assigns this Lease or any interest of the Landlord in it, then, to the extent that the purchaser, transferee or assignee assumes the obligation of the Landlord under this Lease, the Landlord shall, without further agreement, be released from all liability with respect to the Landlord's obligations under this Lease. In addition, upon the Landlord transferring any outstanding Letter of Credit to the purchaser, transferee or assignee, the Landlord shall be released from all liability to the Tenant in connection therewith.



## ARTICLE XV ACCESS

### 15.01 Right to Show the Leased Premises

The Landlord and its agents have the right to enter the Leased Premises at all times to show them to prospective tenants.

### 15.02 Emergencies

If the Tenant is not personally present to permit an entry into the Leased Premises at any time when for any reason an entry is necessary or permitted, the Landlord or its agents may forcibly enter them without liability and without affecting this Lease.

### 15.03 Access Not Re-entry

Any entry by the Landlord on the Leased Premises in accordance with the provisions of this Lease shall not be considered a re-entry or a breach of covenant for quiet enjoyment.

### 15.04 Roof Rights

- (a) The Landlord may at any time, and from time to time, prior to or during the Term, grant a licence (a “**Roof licence**”) to third parties (individually a “**Roof Licensee**”) for the purpose of installing, operating and maintaining equipment (“**Roof-Top Equipment**”) on the roof of the Building, it being understood and agreed that the Roof-Top Equipment does not include any part of the HVAC System. Without limiting the rights which the Landlord may grant to the Roof Licensee, the Roof Licensee shall:
  - (i) be entitled to have such access to the Leased Premises at times agreed upon by the Tenant, the Tenant hereby agreeing to act reasonably in dealing with a Roof Licensee’s request for such access, as it may require in order to install, operate, maintain and repair the Roof-Top Equipment. For greater certainty, the foregoing right shall apply to the Roof Licensee’s employees, servants, agents, contractors and those Persons for whom the Roof Licensee is responsible in law (collectively, the “**Roof Licensee’s Employees**”);
  - (ii) be entitled to:
    - (1) sell or otherwise deal with any good or service generated or provided by the Roof-Top Equipment in such manner as a Roof Licensee may determine; and
    - (2) install such equipment and wiring and cabling as may be required so that goods or services generated or provided by the Roof-Top Equipment can be distributed off-site of the Property; and

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- (iii) be under no obligation to sell or otherwise make available to the Tenant any good or service generated or provided by the Roof-Top Equipment.

The Tenant shall not interfere with the exercise by the Roof Licensee of any rights granted to it by the Landlord.

- (b) If the Landlord grants a Licence to a Roof Licensee, then upon the commencement of the installation of the Roof-Top Equipment on the roof of the Building:
  - (i) the Tenant will have no further maintenance, repair or replacement obligations with respect to any damage to the Leased Premises caused by the Roof Licensee or the Roof Licensee's Employees; and
  - (ii) the Landlord shall thereafter be responsible, at its sole cost, for repairing all damage:
    - (1) caused to the roof (including, without limitation, the roof membrane) by the Roof-Top Equipment, including, without limitation, repairing all leaks in the roof caused by the Roof-Top Equipment; and
    - (2) to the Leased Premises caused by the Roof Licensee or the Roof Licensee's Employees, the Landlord and its contractors being entitled to have such access to the Leased Premises as may be required in order to carry out repair of any such damage.
- (c) except as set out in Section 15.04(b)(ii), the Landlord shall have no liability whatsoever for and the Tenant hereby releases the Landlord from all Claims arising out of damages, injuries (including, without limitation, bodily injuries) or losses (including without limitation, loss of life) caused or contributed to by the Roof-Top Equipment, the Roof Licensee or the Roof Licensee's Employees; and
- (d) if the Roof-Top Equipment is subsequently removed from the roof of the Building, the Landlord will (at its sole cost) repair all damage to the roof of the Building caused by the installation and removal of the Roof-Top Equipment and thereafter the provisions of Section 15.04(b) shall cease to have effect.

#### **15.05 Right to Install Solar Panels**

The Landlord shall be entitled to have such access to the Leased Premises at times agreed upon by the Tenant, the Tenant hereby agreeing to act reasonably in dealing with the Landlord's request for such access, as it may require in order to install, operate, maintain and repair solar panels on the roof of the Building. The Landlord will not disturb the operation of the Tenant's business any more than is reasonably necessary in the circumstances while carrying on such work.

**ARTICLE XVI**  
**STATUS STATEMENT, ATTORNMENT AND SUBORDINATION**

**16.01 Status Statement**

Within ten (10) days after a written request by the Landlord, the Tenant shall deliver, in a form supplied by the Landlord, a status statement or certificate to any Mortgagee or purchaser of the Leased Premises, or to the Landlord, stating the following:

- (a) that this Lease is unmodified and in full force and effect (or if there have been modifications, that this Lease is in full force and effect as modified and identifying the modification agreements) or if this Lease is not in full force and effect, the certificate shall so state;
- (b) the Commencement Date;
- (c) the date to which Rent has been paid under this Lease;
- (d) whether or not there is any existing default by the Tenant in the payment of any Rent or other monies due and owing under this Lease, and whether or not there is any existing or alleged default by either party under this Lease with respect to which a notice of default has been served and if there is any such default, specifying the nature and extent of it;
- (e) whether there are any set-offs, defences or counter claims against enforcement of the obligations to be performed by the Tenant under this Lease; and
- (f) with reasonable particularity, details respecting the Tenant's financial standing and corporate organization.

**16.02 Subordination and Attornment**

The Tenant's rights under this Lease are subordinate to any Mortgages registered on title to the Lands, or any part thereof, from time to time. Upon request, the Tenant shall subordinate this Lease and all of its rights under it, in the form the Landlord requires, to any such Mortgage, and if requested, the Tenant shall attorn to the Mortgagee. The Tenant shall, if possession is taken under, or any proceedings are brought for the foreclosure of, or the power of sale is exercised under any Mortgage granted by the Landlord or otherwise in existence against the Leased Premises, attorn to the Mortgagee, and recognize the Mortgagee, as the Landlord under this Lease.

**16.03 Financial Information**

- (a) The Tenant shall, upon request, provide the Landlord with such information as to the financial standing and corporate organization of the Tenant as the Landlord or the Mortgagee requires. Failure of the Tenant to comply with the Landlord's request shall be a default under this Lease.

- (b) Without limiting the generality of the foregoing, the Tenant shall provide the Landlord with its most recent audited annual financial statements immediately upon request and in any event within one hundred and twenty (120) days of the end of each fiscal year of the Tenant.
- (c) The Tenant agrees to provide to the Landlord prompt notice of any impending financial difficulties that could lead to a secured creditor exercising, or providing notice of an intention to exercise, its remedies, including a notice under Section 244 of the *Bankruptcy and Insolvency Act* (Canada).

## ARTICLE XVII

### DEFAULT

#### 17.01 Event of Default

An “**Event of Default**” shall be considered to have occurred when any one or more of the following happens:

- (a) the Tenant fails to pay any Rent when it is due and such failure continues for five (5) days after notice from the Landlord to the Tenant of such failure;
- (b) the Tenant fails to observe or perform any other of the terms, covenants, conditions or agreements contained in this Lease and such failure continues for ten (10) days after notice from the Landlord to the Tenant specifying the failure (except as set out in paragraphs (c)–(n), both inclusive, below where the Landlord shall have no obligation to provide such notice to the Tenant);
- (c) the Term or any of the goods, chattels or fixtures of the Tenant on the Leased Premises are seized or taken in execution or attached by any creditor;
- (d) a writ of execution or sequestration is issued against the goods, chattels or fixtures of the Tenant;
- (e) the Tenant makes a sale in bulk of all or a substantial portion of its assets other than in a Transfer approved by the Landlord;
- (f) the Tenant sells or disposes of the goods, chattels or fixtures or removes them or any of them from the Leased Premises without complying with Section 12.07;
- (g) the Tenant abandons or attempts to abandon the Leased Premises or the Leased Premises remain vacant for ten (10) consecutive days or more without the prior written consent of the Landlord;
- (h) the Leased Premises are used by any Person other than those Persons entitled to use them under this Lease;
- (i) the Tenant makes an assignment for the benefit of creditors or commits any act of bankruptcy as defined in the *Bankruptcy and Insolvency Act* (Canada) or any

- successor of it, or becomes bankrupt or insolvent or takes the benefit of any legislation now or hereafter in force for bankrupt or insolvent debtors;
- (j) an order is made for the winding up or liquidation of the Tenant, or the Tenant voluntarily commences winding-up procedures for liquidation;
  - (k) an order or appointment is made for a receiver or a receiver and manager of all of the assets or undertaking of the Tenant;
  - (l) any insurance policy covering any part of the Leased Premises is, or is threatened to be, cancelled or adversely changed or the premium cost is, or may be, significantly increased as a result of any act or omission by the Tenant or any person for whom the Tenant is responsible in law;
  - (m) the Tenant's Licence is revoked, suspended or terminated; or
  - (n) any default or event of default occurs under any lease or agreement to lease relating to other properties owned by the Landlord, leased to or occupied by the Tenant or any Person related to the Tenant.

#### **17.02 Rights of the Landlord**

Upon the occurrence of any Event of Default the following provisions apply:

- (a) The Landlord may terminate this Lease by notice to the Tenant, or re-enter the Leased Premises and repossess them and, in either case, enjoy them as of its former estate and the Landlord may remove all Persons and property from the Leased Premises and the property may be sold or disposed of by the Landlord as it considers advisable or may be stored in a public warehouse or elsewhere at the cost and for the account of the Tenant, all without service of notice or resort to legal process and without the Landlord being guilty of trespass or being liable for any loss or damage which may be occasioned thereby.
- (b) If the Landlord elects to re-enter the Leased Premises as provided in this Section, or if it takes possession pursuant to legal proceedings or pursuant to any notice provided for by law, it may either terminate this Lease or it may from time to time, without terminating this Lease, make those alterations and repairs which are necessary in order to re-let the Leased Premises or any part of them for a term (which may be for a term extending beyond the Term) and at a rent and upon those other terms, covenants and conditions which the Landlord, in its discretion, considers advisable. Upon each reletting, the rent received by the Landlord from the reletting shall be applied first to the payment of any indebtedness other than Rent due under this Lease from the Tenant to the Landlord; second to the payment of any costs and expenses of the reletting including brokerage fees and solicitors' fees and the costs of the alterations and repairs; third to the payment of Rent due and unpaid under this Lease; and the residue, if any, shall be held by the Landlord and applied towards payment of future Rent as it becomes due under this Lease. If the rent received from the reletting during any month is less than the Rent to be

paid during that month by the Tenant under this Lease, the Tenant will pay the deficiency, which shall be calculated and paid monthly in advance on or before the first day of each month. No re-entry or taking possession of the Leased Premises by the Landlord shall be construed as an election on its part to terminate this Lease unless a written notice of that intention is given to the Tenant. Despite any reletting without termination, the Landlord may at any time afterwards elect to terminate this Lease for the previous breach. If the Landlord at any time terminates this Lease for any breach, in addition to any other remedies it may have, it may recover from the Tenant all damages it incurs by reason of the breach including, without limitation, the costs of recovering the Leased Premises, solicitors' fees (on a substantial indemnity basis) and the worth, at the time of the termination, of the excess, if any, of the amount of Rent and charges equivalent to Rent required to be paid under this Lease for the remainder of the Term over the then reasonable rental value of the Leased Premises for the remainder of the Term.

- (c) The Landlord may remedy, or attempt to remedy, the default of the Tenant and in so doing may make any payments due or alleged to be due by the Tenant to third parties and may enter upon the Leased Premises to do any work or other things therein or thereon, in which case all the Landlord's costs and expenses, together with an administration fee of fifteen percent (15%) of such costs and expenses, shall be payable on demand by the Tenant as Additional Rent. The Landlord will not be liable for any loss or damage resulting from any action or entry by the Landlord under this Subsection 17.02(c) and will not be considered to have breached any covenant for quiet enjoyment.
- (d) The Landlord may recover from the Tenant the full amount of the current month's instalment of Rent together with the next three (3) months' instalments of Rent, all of which shall be deemed to be accruing on a day-to-day basis, and shall immediately become due and payable as accelerated Rent, and the Landlord may immediately distrain for such accelerated Rent together with any other Rent arrears.

### **17.03 Expenses**

If legal action is brought for recovery of possession of the Leased Premises, for the recovery of Rent or any other amount due under this Lease, or because of the breach of any other terms, covenants or conditions contained in this Lease on the part of the Tenant to be kept or performed, and a breach is established, the Tenant shall pay to the Landlord all the expenses incurred in connection with it, including solicitor's fees (on a substantial indemnity basis), unless a court otherwise awards.

### **17.04 Waiver of Exemption from Distress**

Despite anything to the contrary contained in this Lease or the provisions of applicable legislation, none of the goods and chattels of the Tenant on the Leased Premises at any time and from time to time during the Term, or any extension or renewal thereof, shall be exempt from levy by distress for Rent in arrears and the Tenant hereby waives any rights it has or might otherwise have under any such applicable legislation in that regard. If any claim is made for such an exemption by the

Tenant, or if distress is made by the Landlord, this Section may be pleaded as an estoppel against the Tenant in any action brought to test the right of the levying upon any of those goods which are named as exempted in any sections of any applicable legislation.

### **17.05 Remedies Generally**

The exercise by the Landlord of any particular remedy does not preclude the Landlord from exercising any other remedy in respect of the occurrence of an Event of Default. No remedy shall be exclusive or dependant upon any other remedy, and the Landlord may from time to time exercise one or more of its remedies generally or in combination, those remedies being cumulative and not alternative.

## **ARTICLE XVIII MISCELLANEOUS**

### **18.01 Rules and Regulations**

The Rules and Regulations set out in Schedule "C" attached hereto form part of this Lease and the Tenant shall comply with and observe such Rules and Regulations throughout the Term. The Tenant's failure to comply with and observe the Rules and Regulations shall be a default under this Lease in the same manner as if the Rules and Regulations were set out as covenants in this Lease. The Landlord may from time to time establish new Rules and Regulations or amend, supplement or terminate the existing Rules and Regulations. Notice of the Rules and Regulations and any amendments, supplements or termination thereof, shall be given to the Tenant and the Tenant shall comply with and observe same from the date upon which it is so notified. The Rules and Regulations shall not conflict with or contradict the other provisions of this Lease.

### **18.02 Overholding**

If the Tenant remains in possession of the Leased Premises after the end of the Term, or any renewal or extension thereof, without having executed and delivered a new lease, it shall be considered to be occupying the Leased Premises as a tenant from month-to-month on the same terms and conditions as are set out in this Lease, except that it shall be liable for payment of Rent at the rate equal to 150% of the Base Rent and Percentage Rate which it was responsible for paying during the last month of the Term, or any renewal or extension thereof, together with Additional Rent as set out in this Lease. In addition, the Landlord may exercise all of its rights and remedies under this Lease and at law to remove the Tenant from the Leased Premises.

### **18.03 Notices**

Any notice, demand, request, consent or other instrument which may be or is required to be given under this Lease shall be delivered in person or sent by registered mail postage prepaid and shall be addressed: (a) if to the Landlord at the address set out in Section 1.01(a) or to such other Person or at such other address as the Landlord designates by written notice; (b) if to the Tenant, at the address set out in Section 1.01(b) or at such other address as the Tenant designates by written notice. If there is more than one Tenant, any notice under this Lease may be given by or to any one of them and will have the same effect as if given by or to all of them. Any notice, demand, request, consent or other instrument shall be conclusively deemed to have been given or made on

the day upon which the notice, demand, request, consent or other instrument is delivered, or, if mailed, then seventy-two (72) hours following the date of mailing and the time period referred to in the notice begins to run from the time of delivery or seventy-two (72) hours following the date of mailing. Either party may at any time give notice in writing to the other of any change of address of the party giving the notice and upon the giving of that notice, the address specified in it shall be considered to be the address of the party for the giving of notices under this Lease. If the postal service is interrupted or is substantially delayed, or is threatened to be interrupted, any notice, demand, request, consent or other instrument will only be delivered in person.

#### **18.04 Registration**

The Tenant will not register this Lease or any notice thereof on title to the Lands without the prior written consent of the Landlord and the Landlord's approval of the form and content of such registration.

#### **18.05 Quiet Enjoyment**

Provided the Tenant pays the Rent and other sums provided for under this Lease, and observes and performs all of the terms, covenants, and conditions on its part to be observed and performed, the Tenant will peaceably and quietly hold and enjoy the Leased Premises for the Term without hindrance or interruption by the Landlord or any other Person lawfully claiming by, through or under the Landlord subject, however, to the terms, covenants and conditions of this Lease.

#### **18.06 Landlord's Co-Operation and Access**

The Landlord will make commercially reasonable efforts to assist the Tenant with any reasonable request for co-operation in increasing the revenue to be generated from the Leased Premises, provided that such requests do not result in any interference with the Landlord's operations. The Landlord shall co-operate in order to allow vehicular traffic including cars, trucks and motor coaches, free and open access to the duty free shop operated at the Leased Premises.

#### **18.07 Regulatory Changes**

In the event an unanticipated introduction of or a change in any Applicable Laws causes a material adverse effect on the business operations of the Tenant at the Leased Premises, the Landlord agrees to consult with the Tenant to discuss the impact of such introduction of or change in Applicable Laws to the Lease.

#### **18.08 Unavoidable Delay**

Notwithstanding anything to the contrary contained in this Lease, if any party hereto is *bona fide* delayed or hindered in or prevented from performance of any term, covenant or act required hereunder by reason of Unavoidable Delay, then performance of such term, covenant or act is excused for the period of the delay and the party so delayed, hindered or prevented shall be entitled to perform such term, covenant or act within an appropriate time period after the expiration of the period of such delay. However, the provisions of this Section 18.06 do not operate to excuse the Tenant from the prompt payment of Rent and any other payments required by this Lease.



1263

**[END OF PAGE]**

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IN WITNESS WHEREOF, the parties have executed this Lease as of the date first above written.

**BUFFALO AND FORT ERIE PUBLIC  
BRIDGE AUTHORITY**

Per Name: *Ron Ruelas*Title: *general manager 7/28/16*

Per \_\_\_\_\_

Name:

Title:

I/We have authority to bind the Compact

**PEACE BRIDGE DUTY FREE INC.**

Per Name: *GREGORY G. O'HARA*Title: *PRESIDENT*

I have the authority to bind the Corporation

1265

**SCHEDULE "A"**  
**LEGAL DESCRIPTION OF THE LANDS**

PT LT 229-233 PL 519, PT LT 166-180 PL 519, PT DOUGLAS ST PL 505, PT LANE PL 519 ABUTTING LT 229-233, PT MAIN ST PL 519 CLOSED BY R0691414, R0458946, BB98631 & R0114588, PT LT 221-223 PL 519, LT 224, 225, 226 PT LT 227 PL 519, PT FOURTH ST PL 519, PT WADSWORTH ST PL 505 CLOSED BY R0691414, LT 81-91 PL 519, LANE PL 519 ABUTTING LT 81 TO 88 & LT 88 TO 91 CLOSED BY BB57684, LT 116-126 PL 519, LANE PL 519 ABUTTING LT 119 TO 126 & 116 TO 119 CLOSED BY BB30073 & R0143454 LT 181-195 PL 519, LANE PL 519 ABUTTING LT 181-195 CLOSED BY R0691414, LT 55-85 PL 524, PT PRICELAND RD PL 524 CLOSED BY R0221079, LT 1-4 PL 505 E/S DOUGLAS ST, LT 5 PL 505 N/S GARRISON RD, PT LT 6 PL 505 N/S GARRISON RD, PT LT 7 PL 505 W/S WADSWORTH ST, LT 8-10 PL 505 W/S WADSWORTH ST, LT 1-4 PL 505 E/S WADSWORTH ST, PT LT 5-8 PL 505 W/S NORTH ST, PT QUEENSBURY RD PL 524 CLOSED BY R0691414 PT 1, 2, 5, 6, 7, 8, 9, 10, 11, 12 59R10134, PT 1, 2, 3, 12 59R8848, PT 1 59R9201, AS IN R0655269, R0660595, R0658993 EXCEPT PT 1 59R11984, S/T BB29712, S/T R0485157, S/T R0486298, S/T R0486299, S/T R0688285, S/T R0688286, S/T R0688288, T/W R0655269; FORT ERIE E.

Being all of PIN 64220-0290 (LT)



**SCHEDULE "C"**  
**RULES AND REGULATIONS**

1. The Tenant shall not place or cause to be placed any additional locks upon any doors of the Building without the approval of the Landlord and subject to any conditions imposed by the Landlord.
2. The washrooms and other water apparatus shall not be used for any purpose other than those for which they were constructed, and no sweepings, rubbish, rags, ashes or other substances shall be thrown therein. Any damage resulting from misuse shall be borne by the Tenant by whom or whose agents, servants, or employees cause the damage. The Tenant shall not let the water run unless it is in actual use, and shall not deface or mark any part of the Building.
3. No one shall use the Building for sleeping apartments or residential purposes, or for the storage of personal effects or articles not required for business purposes.

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**SCHEDULE "D"**  
**TENANT'S PROPOSAL**

**Please see attached as labeled Schedule D**

## SCHEDULE D

1269

**Response to Request for Proposal  
Operation of a Duty Free Shop at the Peace Bridge  
Issued by the Buffalo and Fort Erie Public Bridge Authority**

**The Technical Proposal  
May 9, 2016**

**Submitted to:** Buffalo and Fort Erie Public Bridge Authority  
Attn: Kimberlee Kaiser, Executive Assistant  
100 Queen Street  
Fort Erie, Ontario  
L2A 3S6

**Proponent:** Peace Bridge Duty Free Inc.  
1 Peace Bridge Plaza  
Fort Erie, Ontario  
L2A 5N1

**Contact:** Gregory G. O'Hara  
President and Chief Executive Officer  
905-871-5400 ext. 107  
gohara@dutyfree.ca

The attached bid includes confidential business and commercial information pertaining to Peace Bridge Duty Free Inc. Peace Bridge Duty Free Inc. respectfully requests that the contents of the bid not be disclosed to anyone other than employees, officers, directors or evaluation committee members of the Buffalo and Fort Erie Public Bridge Authority.

<b>Tab</b>	<b>Submission Elements</b>	<b>Page</b>
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<b>3</b>	<b>Disclosures &amp; Certifications</b>	
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	• Conflict of Interest Declaration	
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	• Independence statement	
	• Representations by the Proponent	
<b>4</b>	<b>Qualifications &amp; Experience</b>	
	• Proponent Name and Location	1
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	• Proponent Experience in the Last 5 years	1
	• Financial Statements	3
	• Canadian Border Service Agency License	4
	• Past Marketing and Sales Programs	4
	• Experience of Manager and Key Personnel	7
	• Experience in Similar Retail Operations	9
	• Distinguishing Features	9
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P.O. Box 339 Peace Bridge Plaza Fort Erie, Ontario L2A 5N1 Canada  
P.O. Box 572 Buffalo, New York USA 14213-0572  
T: 905-871-5400 F: 905-871-6335

May 9, 2016

Kimberlee Kaiser  
Executive Assistant  
Buffalo & Fort Erie Public Bridge Authority  
100 Queen Street  
Fort Erie, ON L2A 3S6

Dear Ms. Kaiser:

Peace Bridge Duty Free Inc. ("PBDF") is pleased to submit a proposal in response to the Request for Proposal (the "RFP") issued by the Buffalo & Fort Erie Public Bridge Authority (the "Authority") to develop and operate a duty free Store on the Canadian side of the Peace Bridge.

PBDF has reviewed the lease included in Appendix A of the RFP and confirms that PBDF understands the principal terms of the lease. If successful in this RFP process, PBDF is committed to entering into the lease in a form to be agreed upon by PBDF and the Authority, including those provisions identified as mandatory provisions in Part V, Section B of the RFP.

Peace Bridge Duty Free Inc. is the incumbent operator at the Peace Bridge Plaza and firmly believes that it is the best qualified to operate the duty free Store. The reasons for PBDF's belief in this regard are set out in full detail our proposal, which PBDF confirms is a firm and irrevocable offer.

PBDF believes that it is the best qualified to develop and operate the duty free Store at the Peace Bridge for many key reasons including:

- PBDF has a senior management group and staff that have extensive duty free industry business experience and its ownership is stable and has a strong financial capability.
- PBDF is an award winning duty free operator that has received numerous duty free industry distinctions over the years including the "Platinum Award" from the Frontier Duty Free Association in recognition for being the "Best Canadian Land Border Duty Free Store."
- PBDF has demonstrated a track record of generating incremental sales and mitigating significant business challenges including dealing with declining Peace Bridge vehicle traffic from Canada to the United States for more than a decade.





P.O. Box 339 Peace Bridge Plaza Fort Erie, Ontario L2A 5N1 Canada  
P.O. Box 572 Buffalo, New York USA 14213-0572  
T: 905-871-5400 F: 905-871-5335

- PBDF has engaged a renowned design team SmartDesign Group, that has a tremendous amount of experience with respect to specialized retail environments, to assist PBDF in creating an unparalleled luxury land border duty free shopping experience.
- PBDF has entered into many strategic relationships. These relationships will significantly enhance the business at the Store.

PBDF owners, staff and partners look forward to the exciting opportunity to develop and operate a land border duty free store at the Peace Bridge Plaza in Fort Erie, Ontario.

I, Gregory G. O'Hara, am an official with PBDF and will be the primary contact person with the Authority.

Yours truly,

Gregory G. O'Hara  
President and Chief Executive Officer  
Peace Bridge Duty Free Inc.  
1 Peace Bridge Plaza  
Fort Erie, Ontario

Email: gohara@dutyfree.ca  
Phone: 905-871-5400 ext. 107



## Non-collusive Proposal Certification



P.O. Box 339 Peace Bridge Plaza Fort Erie, Ontario L2A 5N1 Canada  
P.O. Box 572 Buffalo, New York USA 14213-0572  
T: 905-871-5400 F: 905-871-5335

In accordance with Item (iv) of Part IV.A.1.2a. of the RFP, I, Gregory G. O'Hara, President and Chief Executive Officer of Peace Bridge Duty Free Inc., hereby certify that:

- This proposal is genuine and is not made in the interest of, or on behalf of, an undisclosed person or corporation;
- Peace Bridge Duty Free Inc. has not directly or indirectly induced or solicited any other Proponent to submit a false or sham Proposal, or decline to submit a Proposal;
- Peace Bridge Duty Free Inc. has not sought, by collusion, to obtain any advantage over any other Proponent or over the Authority; and
- I, Gregory G. O'Hara, am entitled to represent Peace Bridge Duty Free Inc., empowered to submit the bid, and authorized to sign a lease with the Authority.

\_\_\_\_\_  
Gregory G. O'Hara  
President and Chief Executive Officer  
Peace Bridge Duty Free Inc.



## Conflict of Interest Declaration



P.O. Box 339 Peace Bridge Plaza Fort Erie, Ontario L2A 5N1 Canada  
P.O. Box 572 Buffalo, New York USA 14213-0572  
T: 905-871-5400 F: 905-871-6335

In accordance with Item (v) of Part IV.A1.2a. of the RFP, I, Gregory G. O'Hara, President and Chief Executive Officer of Peace Bridge Duty Free Inc., hereby certify, on behalf of Peace Bridge Duty Free Inc., that there is no actual or potential Conflict of Interest relating to the preparation of this proposal, and/or Peace Bridge Duty Free Inc. does not foresee an actual or potential Conflict of Interest in performing the contractual obligations contemplated in the RFP.

I also confirm that I have the power to bind Peace Bridge Duty Free Inc. and, therefore, I am entitled to make this certification and declaration on behalf of Peace Bridge Duty Free Inc.

In the interests of full disclosure, the only individual involved in the preparation of the proposal that has had any employment relationship with the Bridge Authority is an individual who worked as a summer student at the Buffalo and Fort Erie Public Bridge Authority ("Authority") over 35 years ago. The full details of his employment are:

Name: John Menchella

Last date of employment with the Authority: John Menchella was employed by the Authority for the summer terms of 1978 and 1979.

Name of last supervisor with the Authority: unknown

Description of individual's job functions at last position with the Authority: John Menchella was employed as a summer student with the Authority for a short period in 1978 and 1979. John Menchella was assigned tasks related to traffic direction.

Description of the nature of individual's participation in preparation of proposal: John Menchella acted as a consultant and provided advice regarding the preparation of the proposal.

\_\_\_\_\_  
Gregory G. O'Hara  
President and Chief Executive Officer  
Peace Bridge Duty Free Inc.



## Statement of Insurability



McAvoy, Belan & Campbell  
Insurance and Financial Services Ltd.

April 26, 2016

Peace Bridge Duty Free Inc.  
P.O. Box 339  
Peace Bridge Plaza  
Fort Erie, Ont.  
L2A 5N1

Attention: Jim Pearce

Dear Sir:

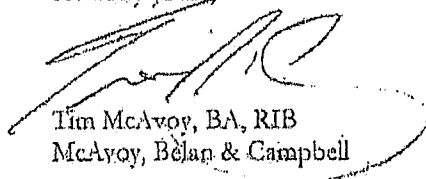
I have examined the lease requirements and confirm that we are currently providing and/or exceeding the required types and levels of insurance as outlined in the leasing conditions. We will have no problem maintaining these requirements in the future.

In addition to the lease requirements, we have added the following enhancements:

- 1) Business interruption on the main location has been extended to cover the bridge itself. This will allow the Duty Free income stream to continue if one of the same perils befalls the structure
- 2) Terrorism insurance, which is a standard exclusion in Canada, has been purchased through the international markets to cover the main location for property and loss of income. It has also been extended to cover the bridge structure as described above
- 3) Other coverage added to the main location include:
  - a. Privacy Breach Liability
  - b. Pollution Liability
  - c. Flood & Earthquake Coverage

If you require further information, please do not hesitate to contact me.

Sincerely yours,



Tim McAvoy, BA, RIB  
McAvoy, Belan & Campbell

351 CANBRO ROAD  
RIDGEVIEW ON  
L0S 1M0  
905.892.9590

350 KING STREET  
PORT COLBORNE ON  
L3K 4H3  
905.834.3666

[mbefinancial.ca](http://mbefinancial.ca)

## Consent to Surety



Chris Miotto  
Senior Account Manager

Commercial Financial Services  
Grantham Shopping Plaza Branch  
380 Scott Street  
St. Catharines, ON L2M 3W4  
Transit 04242

Tel: (905) 934-4416  
Fax: (905) 934-4676  
E-mail: [chris.miotto@rbc.com](mailto:chris.miotto@rbc.com)

April 6, 2016

Jim Pearce  
Manager Finance  
Peace Bridge Duty Free Inc.  
P.O. Box 339, Peace Bridge Plaza  
Fort Erie, Ontario, L2A 5N1

Dear Jim:

Further to our discussions, we congratulate Peace Bridge Duty Free Inc. for their outstanding historical financial performance. This letter will confirm that RBC Royal Bank and Peace Bridge Duty Free Inc. have an outstanding business relationship spanning several years. RBC Royal Bank currently supports and will continue to support the company's vision and future plans.

We at RBC Royal Bank acknowledge the strong relationship that Peace Bridge Duty Free Inc. has with the Buffalo & Fort Erie Public Bridge Authority and such, offer the following surety statement. Based on the company's strong historical financial results, Peace Bridge Duty Free Inc. would qualify and be eligible for a Letter of Credit to be issued to the benefit of the Landlord, the Buffalo & Fort Erie Public Bridge Authority in the amount of \$500,000.

Peace Bridge Duty Free Inc. has made notable contributions to Fort Erie's community & economic development, and such, the outstanding financial results could not have been reached without the company's strong leadership and commitment to quality customer service.

Congratulations again, we trust the foregoing meets your requirements; however, should you require further information, please feel free to give me a call.

Yours truly,

Chris Miotto  
Senior Account Manager

## Independence Statement



P.O. Box 339 Peace Bridge Plaza Fort Erie, Ontario L2A 5N1 Canada  
P.O. Box 572 Buffalo, New York USA 14213-0572  
T: 905-871-5400 F: 905-871-6335

In accordance with Item 2 of Part IV.B of the RFP, I, Gregory G. O'Hara, President and Chief Executive Officer of Peace Bridge Duty Free Inc., hereby certify and declare, on behalf of Peace Bridge Duty Free Inc., that Peace Bridge Duty Free Inc. is independent of the Authority and that Peace Bridge Duty Free Inc. and its personnel will avoid any actual, apparent or perceived conflict of interest.

I, Gregory G. O'Hara, also confirm that I have the power to bind Peace Bridge Duty Free Inc. and, therefore, I am entitled to make this certification and declaration on behalf of Peace Bridge Duty Free Inc.

\_\_\_\_\_  
Gregory G. O'Hara  
President and Chief Executive Officer  
Peace Bridge Duty Free Inc.



## Representations by the Proponent



P.O. Box 339 Peace Bridge Plaza Fort Erie, Ontario L2A 5N1 Canada  
P.O. Box 572 Buffalo, New York USA 14213-0572  
T: 905-871-5400 F: 905-871-6335

In accordance with Item e of Part IV.B3. of the RFP, I, Gregory G. O'Hara, President and Chief Executive Officer of Peace Bridge Duty Free Inc., hereby certify and represent, on behalf of Peace Bridge Duty Free Inc., that:

- i. All financial statements provided as part of Peace Bridge Duty Free Inc.'s proposal have been prepared in accordance with GAAP and present fairly the financial condition of Peace Bridge Duty Free Inc. at the dates of such statements;
- ii. No material adverse change in the business or financial condition of Peace Bridge Duty Free Inc. has occurred since the date of the most recent financial statements provided as part of the Proposal;
- iii. Peace Bridge Duty Free Inc. has filed all tax returns required to be filed at the date of the Proposal and has paid all taxes owing as at the date of the Proposal;
- iv. During the three years prior to the date of the Proposal, Peace Bridge Duty Free Inc. has not been a party to or otherwise subject to any material litigation or judicial proceeding nor is any such litigation or proceeding threatened at the date of the Proposal;
- v. Peace Bridge Duty Free Inc. is in compliance, in all material respects, with all laws applicable to Peace Bridge Duty Free Inc. and its business;
- vi. During the three years prior to the date of the Proposal, Peace Bridge Duty Free Inc. has not received any notice from any government or governmental body or agency of, or otherwise been involved in, any investigation, inquiry, charge or proceeding involving or affecting Peace Bridge Duty Free Inc.; other than issuance of a ticket for \$365 from the Niagara Region under the Smoke Free Ontario Act (which is being contested) which is automatically issued after one of our long-term staff erroneously sold cigarettes to someone under age. PBDF has re-educated all staff and is making additional system improvements to lessen any chance of reoccurrence.
- vii. During the three years prior to the date of the Proposal, Peace Bridge Duty Free Inc. has not made an assignment in bankruptcy, being petitioned into bankruptcy or been the subject of a receivership or other insolvency proceeding;







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In accordance with Item (IV) of Part IV.A.1.2a. of the RFP, I, Gregory G. O'Hara, President and Chief Executive Officer of Peace Bridge Duty Free Inc., hereby certify that:

- This proposal is genuine and is not made in the interest of, or on behalf of, an undisclosed person or corporation;
- Peace Bridge Duty Free Inc. has not directly or indirectly induced or solicited any other Proponent to submit a false or sham Proposal, or decline to submit a Proposal;
- Peace Bridge Duty Free Inc. has not sought, by collusion, to obtain any advantage over any other Proponent or over the Authority; and
- I, Gregory G. O'Hara, am entitled to represent Peace Bridge Duty Free Inc., empowered to submit the bid, and authorized to sign a lease with the Authority.

\_\_\_\_\_  
Gregory G. O'Hara  
President and Chief Executive Officer  
Peace Bridge Duty Free Inc.



## Qualifications and Experience

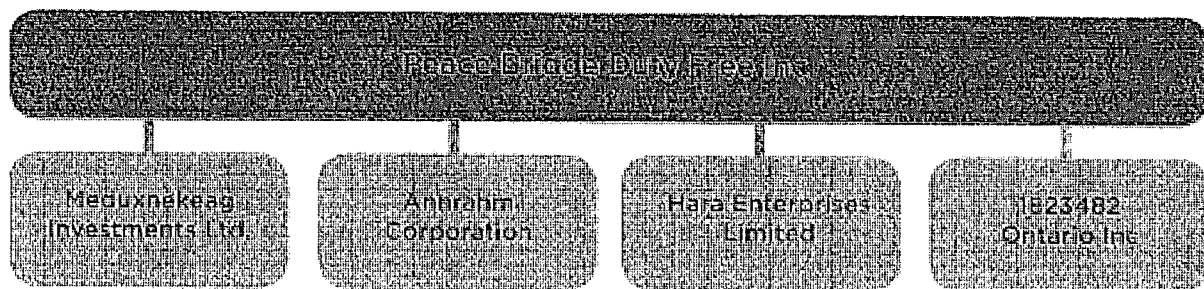
### a. Proponent Name and Location of Proponent Headquarters

Peace Bridge Duty Free Inc. ("Proponent" or "PBDF") headquarters are located at 1 Peace Bridge Plaza, Fort Erie, Ontario, Canada where it operates the Peace Bridge duty free land border store ("Store").

All of the functions related to the duty free store will be based at 1 Peace Bridge Plaza in Fort Erie, Ontario. In addition, PBDF will have an off-site warehouse located at 1178 Concession Road, Fort Erie, Ontario to store fixtures not currently in use.

### b. Description of Proponent

The ownership structure for Peace Bridge Duty Free Inc. is as follows:



Each shareholder has a 25% ownership in Peace Bridge Duty Free Inc.

### The Directors and Officers of the Proponent are:

#### i) Directors

Barbara Slipp  
Israel Harvey Rossman  
John Michael Marsh  
Gregory G. O'Hara

#### ii) Officers

Gregory G. O'Hara  
*Chairman*  
*President*  
*Chief Executive Officer*

James Pearce  
*General Manager*  
*Secretary-Treasurer*

### Brief Description of the Proponent's Business

PBDF is a business primarily focused on the operation of a land border duty free store. PBDF has operated a land border duty store on the Canadian side of the Peace Bridge crossing since November, 1986. PBDF is a major employer in the local community as it currently employs approximately 90 staff in its retail operations.

### c. Proponent's Experience as an Operator of a Duty Free Store or Other Retail Operations for the Last Five Years.

Over the last five years PBDF has operated a land border duty free store and a duty free store at an international airport. Each will be described separately in response to the RFP information requested.

## **Land Border Duty Free Operations**

### **i) Location:**

**Peace Bridge Duty Free Inc.**  
1 Peace Bridge Plaza  
Fort Erie, Ontario, Canada

### **ii) Years in Business:**

PBDF has successfully operated a large scale land border duty free store for 30 years since November, 1986.

It was managed by a true industry leader and innovator, George W. Slipp, from 1986 until his death in 2012. PBDF continues to follow Mr. Slipp's innovative business approach.

### **iii) Brief Description of Services Provided**

PBDF is a multi-award winning land border duty free shop operator which currently manages approximately 28,000 square feet of duty free retail space. Peace Bridge duty free has won many prestigious awards over the years including the 'Platinum Award' for being the 'Best Canadian Land Border Duty Free Store' from the Frontier Duty Free Association.

PBDF is a full-line, full-service land border duty free store operator dedicated to providing its customers with quality merchandise and exceptional service at the Canada/USA border crossing in Fort Erie, Ontario. The land border duty free operation is open 24 hours a day, 365 days a year, and has a Tim Horton's and McDonald's, as well as a large food court on-site. In addition to its retail offering, PBDF also provides a FINTRAC authorized currency exchange service at competitive rates (with the guarantee 'better than the bank'), ample motor coach parking, and other travel services tied to selected marketing programs.

PBDF is a well established, highly successful, locally owned Canadian company that has been in operation since November 1986. PBDF has been a duty free leader in marketing as evidenced by its numerous industry awards and is devoted to promoting the border crossing and the local area as a destination and as a travel stop. As the last stop travelers will encounter prior to exiting Canada, PBDF takes its ambassadorial responsibilities very seriously and strives to provide each visitor leaving the Country with a very favourable lasting impression of Canada thereby ensuring their return visit.

PBDF is noted for offering luxury name brand products such as Ray Ban, Coach, Michael Kors, Tory Burch, Kate Spade, Tom Ford and more all which are sold at tax and duty free prices. PBDF is famous for its offering of quality luxury brand names and excellent customer service and holds the esteemed distinction of selling more Crown Royal than any other retailer in the world.

### **iv) Average Sales**

The Store operation has generated average annual sales of \$22.4 million (approximately \$1.9 million per month or \$60,000 per day) over the last five years at the Peace Bridge Plaza location.

## **Airport Retail Operations**

### **i) Location:**

**Hamilton International Duty Free and Departures ("HIDF")**  
Hamilton International Airport  
9300 Airport Rd W  
Mount Hope, Ontario

### **ii) Years in Business:**

Peace Bridge Duty Free Inc, doing business as Hamilton International Duty Free and Departures, has operated the duty free and duty paid retail operations since 2007.

### **iii) Brief Description of Services Provided**

PBDF offers passengers traveling internationally through Hamilton International Airport a duty free shopping experience. The HIDF retail outlet is located post-security in the Departures Lounge and also provides passengers traveling domestically with duty-paid 'convenience' item purchase options.

### **iv) Average Sales**

PBDF has generated average annual sales of \$.5 million (approximately \$40,000 per month or \$1,400 per day) over the past five years at Hamilton International Airport.

## **d) Financial Statements**

PBDF has audited financial statements for 2013 and 2014.

Audited financial statements for 2015 are not yet available and therefore the 2015 financial statements included in this RFP response are indicated as "Notice to Reader" at the time of this submission.

2016 Interim Financial Statements have also been provided in accordance with RFP requirements.

All the financial statements are found at the end of Tab 4.

As evidenced by the financial statements provided, PBDF has consistently demonstrated a strong financial position and is fully capable of financing the proposed Store development and operational plan.

## **e) Representations by the Proponent**

Please see Tab 3 for Representations by the Proponent.

## f. Canadian Border Services Agency ("CBSA") License

PBDF currently has a license to operate the land border duty free shop at Fort Erie, Ontario, Canada. The CBSA license is effective until January 25, 2025.

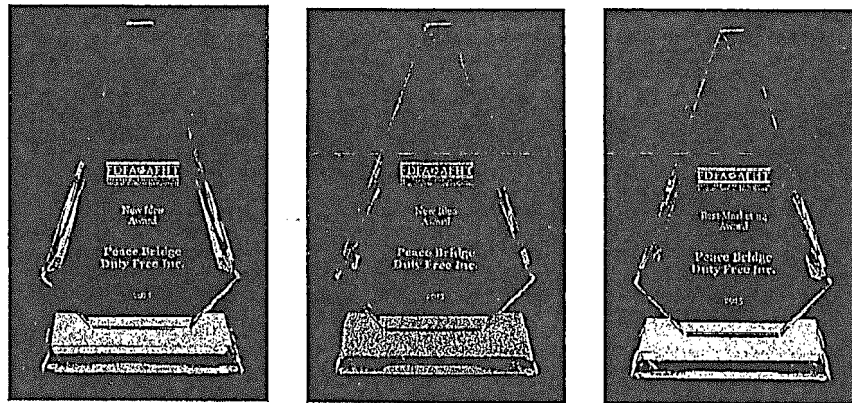
PBDF does not have an impediment that would prevent it from obtaining a license from CBSA. Its current license extends beyond the proposed lease commencement date indicated in the RFP.

## g. Description of Past Marketing and Sales Program

PBDF's ownership believes that it is very important to continually invest in marketing and sales programs in order to stimulate sales. PBDF has directly invested approximately \$800,000 per year and in partnership with its brand partners invests well over \$1 million per year in marketing and sales programs.

PBDF has conducted a multitude of highly successful marketing and sales programs over the years in order to maximize sales at its land border duty free store located at Peace Bridge Plaza in Fort Erie, Ontario.

As an acknowledgment of PBDF's effective and successful marketing and sales programs, PBDF has won many duty free industry awards in recognition of its efforts including the 2015 "Best Marketing" and "Best New Idea Awards" from the Frontier Duty Free Association.



Some examples of the effective marketing and sales programs that PBDF has developed and executed are as follow.

### Loyalty Club Program

This is a **proprietary** and **exclusive** program developed and managed by PBDF. This program is designed to stimulate repeat business by offering the Store loyalty club members exclusive offers and targeted communications. Members are given the opportunity to pre-order products, access exclusive limited editions and receive special introductory prices. E-blasts are sent to members on a weekly basis, at a minimum.



PBDF has built the largest Canadian land border duty free loyalty program and has in excess of 60,000 loyalty club members and has a Facebook following of approximately 30,000. PBDF's proprietary data indicates that this program is effective at generating loyalty and program members spend 15% more, on average, than the rest of its customers.

## Partnerships

PBDF has entered into numerous partnerships in order to generate store awareness and stimulate sales.

A key partnership that PBDF has developed over the years is with Diageo, the largest liquor company in the world. Diageo has asked PBDF to participate in an exclusive global travel retail program. PBDF is the only Canadian land border duty free operator to be chosen by Diageo to participate in this initiative. This ongoing program involves special promotional displays, new branded fixtures, specialized training, targeted pricing promotions, external media and online campaigns, etc.

PBDF has established promotional based partnerships linked to Darien Lake Amusement Park, Kissing Bridge Ski Resort, Buffalo Bisons Baseball, Erie County Fair, Live Nation, Fantasy Island Amusement Park, etc. PBDF's partnership with these popular points of interest provides discounted tickets and coupon offers to the Store. These partnerships have led to many new customers visiting the Store.

PBDF has an exclusive partnership with the Buffalo Niagara International Airport ("BNIA"). As part of this exclusive agreement, PBDF is officially known as the duty free store of BNIA. Approximately 600,000 Canadians fly out of BNIA annually. PBDF created this partnership to increase the capture and sales of those travelers crossing the border on their way to BNIA. PBDF, as part of its travel services offering, coordinates Stay n Fly packages with hotels near the airport as well as discount parking and provides other Store discounts. PBDF is prominently marketed on the BNIA website and BNIA is featured on PBDF's website.

As the largest seller of beer on the Canada/USA border, PBDF has coordinated a tri-partnership with Budweiser/Labatt and Elite Sports, the number one bus company for sports trips. The purpose of this tri-promotion is to provide added value to the bus customer, generate more beer sales for Budweiser/Labatt and increase total sales for PBDF.

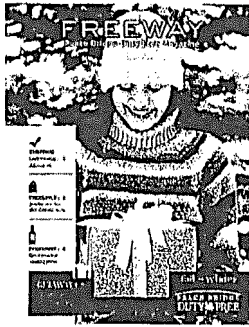
PBDF has a travel service which provides exclusive travel offers to key destinations in the states of New York and Pennsylvania. For example, PBDF offers Canadian customers the opportunity to utilize PBDF's travel service whereby PBDF will make hotel reservations to destinations such as Erie and Grove City, Pennsylvania Shopping Centers, Splash Lagoon Family Getaways, Peak n Peak Ski and Golf packages, Ellicottville promotional packages, etc. Customers not only get free travel services from PBDF but they also get discount coupons for products in the Store and offerings related to the outlet malls. Customers pick up their reservation materials at the Store and this results in increased customer traffic.

## Media and Publications

For 30 years, PBDF has invested significant funds in traditional media venues. These include radio, newsprint, flyers, magazines, publications and television. Depending on the particular day of the week, month or season or the current economic, border or currency situations, PBDF would alternate target markets to Western New York, the Greater Toronto Area, the QEW corridor from Mississauga to Fort Erie as well as the Hamilton and Niagara regions.

PBDF has developed an excellent relationship with the LCBO and is one of their largest land border duty free customers. PBDF promotes its offering in the LCBO Food and Drink magazine, which has a distribution of over 500,000. The purpose of this promotional initiative is to create awareness for the Store, to highlight the savings to customers by shopping duty free and to promote exclusive products available only in the Store.





PBDF has launched a **proprietary** and **exclusive** "Freeway" magazine specifically developed to target potential duty free customers. Distribution of this magazine is done through LCBO stores and is a result of the unique relationship that PBDF has developed with the LCBO over the years. In addition, 50,000 copies of this magazine are distributed through Buffalo News and 10,000 copies are distributed through the Grimsby Travel Centre. This magazine promotes key products and is designed to stimulate sales into the Store.

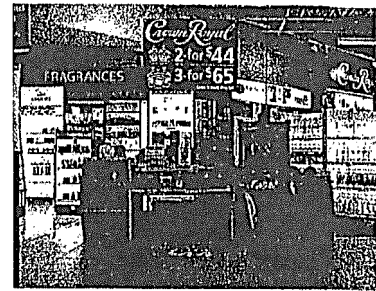


PBDF has entered into key contracts for strategic billboard placements. PBDF strategically uses billboard signage located along major highways to direct vehicular traffic to the Peace Bridge Plaza. This signage has proven to be effective at creating awareness, to showcase specific product offers and to highlight that Tim Horton's and McDonald's are located in the Store. The Tim Horton's and McDonald's brands have proven to be high traffic generators.

### In-store Promotional Areas

In-store promotional areas are important because they are utilized to showcase new product launches and to stimulate sales. Many of the in-store promotions are done in partnership with PBDF's key Brand partners.

PBDF has developed a seasonal marketing calendar that highlights promotions based on the month, holidays and the events on both sides of the border. Promotions are strategically planned with billboards, signage and displays in store based on the time of year. For example during May, promotions are run on both sides of the border for the start of summer for the Canadian and American long weekends. Special events such as Buffalo Bills, Buffalo Sabres and Buffalo Bison games are promoted with discount ticket, merchandise and product offers during their specific seasons. During the holidays, PBDF runs a very unique marketing campaign to encourage Americans to do their holiday shopping at PBDF during their lunch hours with a Let US Pay Your Toll reward for coming to shop during this time.



An example of a successful in-store promotion was one which involved celebrity **Dan Ackroyd**, who is brand owner of Crystal Head vodka. He drew over 1000 customers and as a result of his appearance, PBDF set a duty free industry record for one day sales of Crystal Head vodka.

### Digital Marketing

PBDF has developed a **proprietary** and **exclusive** website which has the domain of [www.dutyfree.ca](http://www.dutyfree.ca). This site is used to create awareness for the Store and to highlight key promotions in order to generate sales. The domain [www.dutyfree.ca](http://www.dutyfree.ca) is ranked #1 in the duty free industry by Google and has surpassed 1 million visitors to the site, over 4 million page views and achieved a 28% return rate.

PBDF has purchased strategic digital ad placements on many high traffic websites including The Toronto Star, [buffalonews.com](http://buffalonews.com), Buffalo Niagara International Airport, The Globe and Mail, The Weather Network, Yelp, TripAdvisor, Google, Facebook, Chinese Professional Association and [crossbordershopping.ca](http://crossbordershopping.ca)



#Found@PBDF is an example of a digital campaign that leveraged Twitter, Facebook, and YouTube to generate social conversation around the brand. The campaign encouraged customers to share the great deals, interesting finds and favourite brands purchases at the Store, on their social networks, using #Found@PBDF. This initiative helped to create positive buzz and consumer advocacy and worked to brand the Store in terms of selection, uniqueness and exclusivity of products.

Another recent example of a digital marketing initiative is one that was conducted in March, 2016. PBDF enacted a heavily targeted online strategy with the Buffalo News and Western New York radio stations' email lists to encourage US audiences to travel to the Store as a destination stop. PBDF offered a "Pay Your Toll" reimbursement and gift cards as incentive offers and created a visual online campaign "This is What 30% more looks like" with a large money pile that visually enforced the additional savings our US customers would receive. The campaign was very successful and achieved 792,000 impressions with approximately 12,000 clicks.

### Ethnic Marketing

PBDF has developed an Ethnic marketing program. PBDF utilizes this type of marketing to target specific groups with more focused and appropriately presented messages with the ultimate goals of generating increased store awareness and to stimulate sales. For example, PBDF utilized this type of marketing to target the almost one million East Indians that live in the Toronto area. Flyers were developed in their native language and distributed to neighborhoods populated by this customer segment. The flyers identified popular products and promoted special offers and pricing. This campaign was extremely successful and generated a noticeable increase in business.



### Experience of Manager and Key Personnel

In 2010, PBDF made changes to its senior management team. Since these changes were implemented, PBDF sales have outperformed traffic by 10%. The current management team has been successful in creating a positive team focused culture to the complete satisfaction of staff.

All of PBDF's management, buying, accounting, marketing, sales and support staff live in the community where the Store is located. The key personnel that will be involved in the development and operation of the Store are indicated below. Their respective resumes are provided at the end of Tab 4.

#### Gregory G. O'Hara

*President and CEO*

Greg has been President and CEO of PBDF since 2012 and has been a Director of PBDF since 1993. He has over 30 years of retail experience much of which has been in the duty free industry. In addition to PBDF, Greg is an owner in Hara Enterprises, a venture capital firm. Greg has a Master of Business Administration degree from Miami University, Ohio.

Greg will be the executive liaison with the Authority and will be responsible for leading the PBDF organization.



**James Pearce**  
*General Manager*

Jim has been an employee of PBDF for 24 years and has experience in all aspects of the land border duty free business. He has held several key management positions throughout his career including at the PBDF Currency Exchange and Tourist Information Centre, PBDF retail at the Fort Erie Truck Plaza and duty free operations at Hamilton International Airport. Jim is a Chartered Professional Accountant and a Certified Management Accountant.

Jim will have oversight responsibilities for all aspects of the proposed operation including managing a team of 12 buyers for the various product categories sold at the PB store.

**Bonnie Gates**  
*Marketing Manager*

Bonnie began her career at PBDF in 1997 as a retail floor supervisor. Since 2009, she has been the Marketing Manager at PBDF. She is responsible for the development and implementation of the PBDF marketing program and her efforts have resulted in PBDF receiving numerous marketing awards in recent years. Bonnie has a bachelor degree from the University of New Brunswick.

Bonnie will be responsible for developing and implementing the proposed marketing program and in-store merchandising.

**Sandy Rienzo**  
*Store and Operations Manager*

Sandy has served in various management roles at PBDF for 25 years. Prior to joining PBDF, he held management positions in retail and in the food and beverage industry across Canada and Spain. Sandy attended the Western University - Engineering, Mohawk College - Electronic Technology and Niagara College - Operations Management.

Sandy will be responsible for providing oversight to PBDF full complement of ten supervisors and for effective sales and support of the operations.

**Other PBDF Support**

PBDF has entered into a consulting agreement with John Menchella, President of Menchella Consulting Group, Inc. John has over 30 years of business experience and has held various senior management positions at many large retail corporations in Canada during his career.

He has an extensive background in business development, marketing, general management and finance. John also has over 15 years of experience in the duty free industry. Prior to founding his own consulting company In 2014, John was Senior Vice President of Business Development and a member of the Executive Management team for one of the world's largest, global duty free organizations, The Nuance Group.

John attained a Bachelor of Business Administration from Wilfrid Laurier University and is a Chartered Professional Accountant and a Certified Management Accountant.

John has provided assistance to PBDF in their RFP response and if PBDF is the Successful Proponent, he will assist in the proposed store development. John will be part of an Advisory Board that will be established by PBDF to oversee the Store operations, be responsible for long range planning and business development initiatives.

## Experience in Similar Retail Operations

Please see section c above for a description of other similar retail operations. In addition to its land border duty free operation at the Peace Bridge, PBDF has developed and operates a duty free operation at Hamilton International Airport. This operation serves customers traveling to international destinations and has been in existence since 2007.

The landlord contacts that can confirm PBDF's operational experience at these retail operations are:

Ron Rienas  
*General Manager*  
Buffalo and Fort Erie Public Bridge Authority  
rr@peacebridge.com  
905-871-1608

Lauren Yaksich  
*Director, Marketing and Communications*  
John C. Munro Hamilton International Airport  
lyaksich@flyhamilton.ca  
905-679-1999

## Distinguishing Features

PBDF is an award winning leader in the land border duty free industry since 1986 and has operated one of the largest land border duty free stores in the Americas since 1998. Over that time, it has gained unsurpassed knowledge of the challenges and opportunities of the Peace Bridge Plaza retail environment in which it operates. In recognition of its outstanding performance during the last several years, PBDF has received numerous awards including the prestigious "Platinum Award" bestowed by the Frontier Duty Free Association. This award has been received multiple times by PBDF and is for the distinction of being recognized as the "Best Canadian Land Border Duty Free Store."

PBDF has also been recognized in the duty free industry for its many outstanding marketing and sales programs. It is a multiple winner of industry awards in recognition of its exceptional marketing program including the 2015 "Best Marketing" award. Please see section g of this submission for examples of some of the many marketing and sales programs conducted by PBDF.

PBDF has major key distinguishing features when compared to other similar business. The key distinguishing features are commitment to:

- Investment in Innovative Marketing Initiatives
- Strategic partnerships
- Local Community Involvement

## Investment in Innovative Marketing Initiatives

A key distinguishing feature of PBDF is that it does not rest on its past accomplishments despite having a distinguished record of growing its business significantly from the time it first began operations in 1986.

PBDF prides itself on being an **innovator** in the duty free business and an organization that evolves to meet industry and customer trends in order to maximize sales. Over the years, PBDF has developed and implemented many new innovative marketing initiatives.

PBDF has developed a comprehensive digital marketing strategy in order to promote the Store and to increase sales.

The PBDF domain [www.dutyfree.ca](http://www.dutyfree.ca) is the #1 ranked site for all duty free searches according to

Google and has had over **one million visitors**. PBDF is in the process of developing a state of the art retail website that will further drive customer awareness and stimulate sales. This new website will be launched in the Fall of 2016 just in time for the holiday season. It will feature full product search, pre-order shopping cart features, travel reservation services, PBDF created videos and product information.

The new website will support all social media channels and will attempt to engage consumers of all age demographics. PBDF will have a full digital strategy to leverage these platforms that will include the development of the PBDF YouTube channel. With over 2 billion views a day, YouTube is the second most visited site in the world and an important platform to share short videos with people and an extremely powerful tool to help educate the duty free consumer. PBDF will utilize YouTube by inserting videos into product descriptions which will help grow the PBDF channel and increase awareness about the brands and exclusive products offered at PBDF.

PBDF is also exploring the use of the fastest growing social application Snapchat. Snapchat is an app where you can share a photo or video and allows PBDF to send exclusive content to its followers. Snapchat is an effective way to generate a buzz around a new product launch and highlight duty free exclusive offers. Similar to a response on Facebook or Twitter, PBDF will use Snapchat to send personalized messages and videos to thank customers for their loyalty.

PBDF is also exploring the use of mobile messaging applications to increase capture to the store. Ping Perks is a mobile push messaging service that leverages beacon technology to offer consumers relevant SMS promotions based on shopping behaviors.

### Strategic Partnerships

In order to create awareness and to increase sales at the Store, PBDF has entered in many strategic partnerships over the years and will continue to look for new opportunities in this area in the future.

An important strategic initiative in this regard was to enter into an agreement to have high profile brands **Tim Horton's** and **McDonald's** establish operations within the Store. This initiative is important because it has proven to increase Store customer capture rates and ultimately generate increased duty free sales.

PBDF is currently seeking to enter into a key partnership with DFASS Distribution, LLC, a **DFASS Group** affiliated company ("DFASS"). DFASS, headquartered in Miami, Florida, is an award winning, global leader in duty free and specialty retail operations. DFASS generates \$600 million in annual revenue and has operations on five continents. DFASS is the world's largest in-flight duty free enterprise and also has many land border and international airport duty free operations. Some of the prominent international airports where DFASS has duty free operations include Chicago O'Hare, Dallas/Fort Worth, Fort Lauderdale/Hollywood and Orlando.

DFASS and PBDF intend to enter into a supply/services agreement which will include DFASS supplying PBDF specific product categories and assistance with merchandise planning related services. This relationship is important to PBDF because it provides PBDF access to the DFASS global supply network and economies of scale. It will also allow PBDF to leverage the DFASS global customer database to enhance customer buying preference understanding and this will translate into better targeted product offerings and increased sales.

**The key benefit to the Authority of this partnership will be more revenue through increased sales.**

PBDF continues to team up with many other strategic partners including key Brand Partners such as Diageo, the largest liquor brand owner in the world, in order to promote important duty free products; Destination Partners such as the Buffalo Bisons, Buffalo Sabres, Buffalo Bills and key Tour Bus Operators in order to drive additional customer traffic into the Store.

Most recently, PBDF entered into an agreement with a significant Asian Tour Bus Operator. This is very important because the Asian customer is by far the highest spending nationality in the duty free industry and a customer that buys very high end duty free brands.

**This partnership is expected to result in significant incremental sales growth.**

## Local Community Involvement

PBDF is committed to supporting the local community. It has done so by providing approximately 90 local employment opportunities and by investing significantly in local community programs.

PBDF offers local community staff highly competitive wages and it is considered a major employer in Fort Erie. In addition to competitive wages, PBDF offers comprehensive benefit packages including a health program and a pension plan. Additionally, it provides incentive programs to its employees that recognize and rewards exceptional performance. PBDF strongly believes that this is a key part of its overall compensation program so that its employees are fully aligned with senior management in maximizing sales at the Store.

In recognition of its employment program efforts, PBDF was awarded "2011 Employer of the Year" by the Fort Erie Chamber of Commerce.

PBDF is also an integral part of the community because it employs local contractors, trades, cleaning staff, etc. in the maintenance and operation of its Store.

PBDF is proud to be a major donator and sponsor of many worthwhile programs both in the Niagara Region and Western New York. Some of the local initiatives that PBDF has supported or continues to support local schools and local athletic programs (e.g. Fort Erie Minor Hockey and Baseball), Walker Cancer Foundation, Champ Foundation of Buffalo, Douglas Memorial Hospital, Visitor Convention bureaus, Buffalo/Niagara Partnership, Cystic Fibrosis Fundraiser, Association of Childhood Diabetes and many more worthwhile community programs.



## Identification of Anticipated Potential Problems

As the incumbent duty free operator, PBDF knows best the ongoing challenges and potential problems of operating the land border duty free store at Peace Bridge Plaza in Fort Erie. Some of the current challenges that it deals with includes:

- Fluctuating currency exchange rate related issues
- Enhanced retail competition
- Vehicle traffic issues including a steady decline in volumes
- Customer awareness and traffic perceptions and delays

PBDF knows best how to address these ongoing challenges and prides itself on successfully mitigating these issues by being innovative in its business and by being able to grow sales per vehicle despite these challenges. Examples of how PBDF addresses each of these challenges are contained in the section below.

#### i) Currency Exchange Rate Issues

Recently, when the exchange rate dramatically swung in favor of American tourism, PBDF promoted Canada, Toronto and Niagara to US markets through aggressive radio, TV and online campaigns. PBDF used best exchange rate guarantees ("better than the bank") to give the American consumer the confidence that they would receive the maximum benefit for the US dollar at the Store.

In the past, when the Canadian dollar strengthened versus the US dollar, Canadians intensified their cross-border shopping and visits to US destinations. To take advantage of this trend, PBDF partnered with many US based organizations such as Grove City, Kissing Bridge, Darien Lake, Buffalo Bisons, Erie County Fair, Fantasy Island and Buffalo Niagara International Airport, etc. in cross promotions designed to make the Store a stop for Canadians on their way to these locations.

#### ii) Retail Competition

PBDF has implemented a very successful sales campaign targeted to Canadian shoppers called "start your cross-border shopping at PBDF". PBDF sourced both different and competitive products from the US, including non-traditional duty free products, adjusted prices to be competitive with the large US retailers, and added the PBDF level of customer service not found at many of the competitive retail stores.

#### iii) Vehicle Traffic Issues Including a Steady Decline in Volumes

Since a peak of 3.3 million in Peace Bridge passenger vehicles from Canada to the United States in 2000, there has been a steady decline in this amount. In 2015, traffic declined to 2.1 million. This represents a 38% decline in passenger vehicles utilizing the Peace Bridge since 2000.

PBDF is proud of the fact that despite the significant reduction in passenger vehicles, during the same time period, duty free sales related to to passenger vehicles declined by only 12%, from \$21.0 million of sales in 2000 to \$18.5 million of sales in 2015. This achievement by PBDF was a result of it's many efforts to increase sales per vehicle through many initiatives including promotions, pricing and enhanced customer service. PBDF was able to increase sales per vehicle from \$50.33 in 2000 to \$64.27 in 2015. **This represents an average sales increase of 28% per vehicle.**

**PBDF is proud that despite this significant challenge, sales at the Store have consistently outperformed traffic volume levels as measured by sales per outbound vehicle.**

#### iv) Customer Awareness and Traffic Perceptions and Delays

In addition to numerous awareness generating marketing programs discussed earlier in this section, PBDF was successful, due to the great cooperation with the Authority, in creating Duty Free Way. This successful initiative involved the implementation of overhead signage on the QEW which directed travelers onto a dedicated roadway leading into the Store.

In addition, PBDF launched an advertising campaign called Fastest Border Crossing Guarantee. If customers experienced a longer wait time at the Peace Bridge versus any other Regional bridge they received 10% off their purchase.

In 2009, when changes to the US Immigration documentation requirements was set to dramatically affect cross-border traffic, PBDF was successful and thrilled to have Erie County Clerk Kathy Hochul visit PBDF to hold a news conference with all media from Canadian and US to help educate people on the new requirements needed to cross the border. With PBDF's assistance, it worked with customers to help them obtain the proper identification. In conjunction with the Authority, PBDF issued toll handouts and organized clinics to sign new NEXUS applicants.



**As evidence by the initiatives above, PBDF has consistently and effectively addressed the many challenges impacting the Store and continues to be proactive in this regard.**

1293

**Response to Request for Proposal  
Operation of a Duty Free Shop at the Peace Bridge  
Issued by the Buffalo and Fort Erie Public Bridge Authority**

**The Financial Terms Proposal  
May 9, 2016**

**Submitted to:** Buffalo and Fort Erie Public Bridge Authority  
Attn: Kimberlee Kaiser, Executive Assistant  
100 Queen Street  
Fort Erie, Ontario  
L2A 3S6

**Proponent:** Peace Bridge Duty Free Inc.  
1 Peace Bridge Plaza  
Fort Erie, Ontario  
L2A 5N1

**Contact:** Gregory G. O'Hara  
President and Chief Executive Officer  
905-871-5400 ext. 107  
gohara@dutyfree.ca

The attached bid includes confidential business and commercial information pertaining to Peace Bridge Duty Free Inc. Peace Bridge Duty Free Inc. respectfully requests that the contents of the bid not be disclosed to anyone other than employees, officers, directors or evaluation committee members of the Buffalo and Fort Erie Public Bridge Authority.

<b>Tab</b>	<b>Submission Elements</b>	<b>Page</b>
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## Tab A - Sales Initiatives

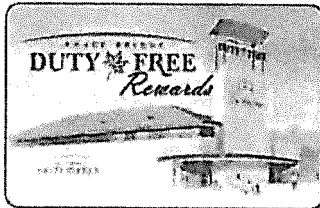
Peace Bridge Duty Free Inc. ("PBDF" or "Proponent"), incumbent operator of the Peace Bridge Plaza Land Border Duty Free Store ("Store"), has demonstrated its ability over the years to increase efficiency, customer traffic and sales while maintaining high quality services. This achievement is evidenced by the numerous industry awards that PBDF has received including the "Platinum Award" bestowed by the Frontier Duty Free Association. This award was given in recognition for being "Best Canadian Land Border Duty Free Store."



PBDF has been able to **increase efficiency** by studying customer traffic volumes and patterns and ensuring that it has adequate staffing during peak periods in order to reduce transaction processing wait times. PBDF understands that efficient transaction processing is an important part of the sales process and places a key emphasis in this area. Product placement in the Store is important in order to direct customers to key areas and to increase add on sales as customer approach the point of sale ("POS") counters.

PBDF has been and continues to be proactive in increasing customer capture rates into the store and stimulating sales. Initiatives implemented to increase store traffic and sales include:

### Loyalty Club Program



This is a **proprietary** and **exclusive** program developed and managed by PBDF. This program is designed to stimulate repeat business by offering the Store loyalty club members exclusive offers and targeted communications. Members are given the opportunity to pre-order products, access exclusive limited editions and receive special introductory prices. E-blasts are sent to members on a weekly basis, at a minimum.

PBDF has built the largest Canadian land border duty free loyalty program and has in excess of 60,000 loyalty club members and has a Facebook following of approximately 30,000. PBDF's proprietary data indicates that this program is effective at generating loyalty and program members spend 15% more, on average, than the rest of its customers.

### Brand Partner Promotions

PBDF has created a path-to-purchase route for its brand partners to invest in. This starts with e-blasts and external media advertising, followed by billboard and on-site signage and finishes in-store with promotional areas and offers.

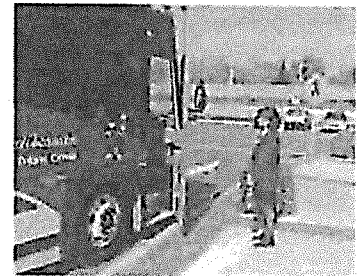
Another example of a brand partner promotion is utilizing a tasting bar that will be set up in the liquor area for customers who wish to try new whisky brands. PBDF will also organize special tasting events with guest speakers and whisky makers for members of the PBDF Whisky Club. These members will get advanced notifications of all new and exclusive products and invitations to special gala events.

### Strategic Alliances with Motor Coach Operators

PBDF has been an active member of the Ontario Motor Coach Association and the American Motor Coach Association for the past 25 years. As a result of these partnerships, PBDF has built very successful relationships to include the Store as a destination on their route crossing the border to the USA.

In the Summer of 2016, PBDF will implement a strategic alliance with an Asian Tour Company which will bring visitors from China to Canada. PBDF will be a dedicated stop on these tours when they return to the United States. This new business is projected to increase stores sales by over \$1 million.

PBDF has invested in creating the most generous bus incentive program on the border. The loyalty that these tour groups show with their partners is very strong and encouraging for PBDF to expand to other Asian tour groups.



In a separate motorcoach initiative, PBDF has partnered with a Southern US based travel company who bring almost 300 buses to Toronto/Niagara every year. PBDF is projecting that it will secure 80% of those buses. PBDF's investment will be in training and compensating staff to act as tour guides that travel with these motor coaches on the Canadian portion of their tour. PBDF staff will assist the tours throughout Niagara and Toronto and direct the buses back through PBDF as they return home. This partnership is projected to add \$600,000 in sales annually. It will also give valuable exposure to other US based tour agencies.

Another partnership has been established with Elite Sports Tours, Ontario's #1 Sport Travel Company, with over 50 bus tours dedicated to PBDF. PBDF introduced Budweiser/Labatt to Elite Sports and combined have created the largest Sports partnership in the duty free industry.

#### Other Strategic Alliances

In order to create awareness and to increase sales at the Store, PBDF has entered in many strategic partnerships over the years and will continue to look for new opportunities in this area in the future.

An important strategic initiative in this regard was to enter into an agreement to have high profile brands **Tim Horton's** and **McDonald's** establish operations within the Store. This initiative is important because it has proven to increase Store customer capture rates and ultimately generate increased duty free sales.

PBDF is currently seeking to enter into a key partnership with DFASS Distribution, LLC, a **DFASS Group** affiliated company ("DFASS"). DFASS, headquartered in Miami, Florida, is an award winning, global leader in duty free and specialty retail operations. DFASS generates \$600 million in annual revenue and has operations on five continents. DFASS is the world's largest in-flight duty free enterprise and also has many land border and international airport duty free operations. Some of the prominent international airports where DFASS has duty free operations include Chicago O'Hare, Dallas/Fort Worth, Fort Lauderdale/Hollywood and Orlando.

DFASS and PBDF intend to enter into a supply/services agreement which will include DFASS supplying PBDF specific product categories and assistance with merchandise planning related services. This relationship is important to PBDF because it provides PBDF access to the DFASS global supply network and economies of scale. It will also allow PBDF to leverage the DFASS global customer database to enhance customer buying preference understanding and this will translate into better targeted product offerings and increased sales.

PBDF continues to team up with many other strategic partners including key Brand Partners such as Diageo, the largest liquor brand owner in the world, in order to promote important duty free products: Destination Partners such as the Buffalo Bisons, Buffalo Sabres, Buffalo Bills and key Tour Bus Operators in order to drive additional customer traffic into the Store.

**The key benefit to the Authority of these partnerships will be more revenue through increased sales.**

## Digital Awareness

PBDF is working on several programs that will increase customer awareness through digital technology. For example, if PBDF is the selected Proponent for the Peace Bridge Duty Free concession, as part of the proposed capital program, PBDF will implement exterior digital signage visible from the QEW in order to increase customer traffic into the Store.

## New sales generating initiatives in progress include:

### Website Enhancements

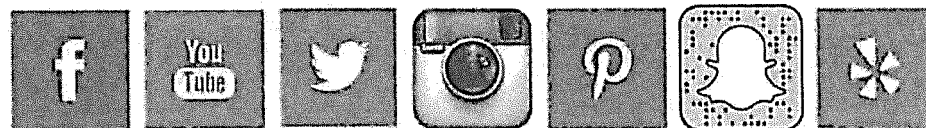
PBDF's proprietary domain [www.dutyfree.ca](http://www.dutyfree.ca) has the distinction of receiving the number 1 ranking from Google for being the most visited duty free website. PBDF's website is being enhanced in order to evolve it into an ecommerce tool. Features of the website will include a product search engine that will highlight the full product portfolio. Additionally, the new website will include a pre-order option for customers to add all their items to a virtual basket and have them ready and waiting when they arrive. This newly enhanced website will be launched in the Fall of 2016.

### Social Media

PBDF is constantly investigating the use of modern digital technologies that can assist in increasing awareness, growing sales and reward customer loyalty. A new, state of the art retail website will support all social media channels and attempt to engage new and old consumers of all age demographics. PBDF will have a full digital strategy to leverage social platforms that will include the development of the PBDF YouTube channel. YouTube's platform will give PBDF the ability to share videos with consumers which will not only educate but grow a loyal database. Videos will be produced by PBDF with support from suppliers and will be integrated into the new website increasing brand awareness.

PBDF will be experimenting with new advertising opportunities by utilizing some of the fastest growing social applications including Snapchat and Instagram. Snapchat is the trendiest social app with the 24-35 demographic which PBDF continues to target. Snapchat offers a personalized experience which PBDF can leverage to build brand awareness.

PBDF is also exploring the use of mobile messaging applications to increase capture to the store. Ping Perks is a mobile push messaging service that leverages beacon technology to offer consumers relevant SMS promotions based on shopping behaviors.



## Maintaining High Quality Services

PBDF is dedicated to maintaining high quality services. As an industry leader, we take pride in our ability to provide a positive lasting impression to our Duty Free customers. PBDF strives to maintain its high standards with a proactive approach to measuring and maintaining customer satisfaction. This is accomplished by the following means:

- Mystery shopper inspections
- Customer surveys for satisfaction and areas for improvement
- Quality Assurance Checklist - A management checklist of exterior and interior operational standards, staff communication to customers, merchandising and customer sales service

- Continual staff training from customer service to product knowledge seminars
- Customer feedback from email and in person is immediately addressed by the Store Manager and reported to Executive Management
- Annual staff reviews with bonuses based on achieving specific customer service criteria
- Frequent interaction between supervisors and staff on new ways to improve the customer experience

The overall goal of PBDF is to ensure that the customer has a great experience when shopping in the Store and leave a lasting, favourable impression of PBDF.

## Design - Renovations Plan for the Store

PBDF is excited about the opportunity to invest in a new store as part of a long-term concession contract, and is pleased to be working with SmartDesign Group to see its vision come to fruition.

SmartDesign Group, an award-winning full-service firm, focuses on the creation and development of commercial success through design. Their unique understanding of consumer behaviour and global trends, coupled with creative talent and solid strategic thinking, has helped operators around the world reach and exceed their business goals. SmartDesign Group's extensive experience provides a true understanding of passenger behaviour, and their innovative and creative solutions surprise and delight their customers.

In the proposed new vision for the Peace Bridge store, customer experience is at the forefront, with an improved exterior presence, increased visibility within the interior space, and an improved intergration of the latest technology, plus unique features such as a tasting bar in the liquor section and a makeover station in fragrance and cosmetics. Specifically, technology will be utilized to promote products and provide product knowledge. (i.e. iPads, digital display screens, etc)

The customer experience begins upon approach to the store, with an expanded wood and metal canopy and a landscaped area that greets travellers, offering a new covered area for unloading tour bus passengers in addition to creating a natural congregation point for visitors. Inside the store, an open space provides a natural place for an evolving promotion display. The layout has also been redesigned to enhance flow and to reorganize merchandise categories.

The design allows clear sightlines to the major product categories, with fragrance and cosmetics prominent on the left, liquor on the right, and confection and promotion in the centre. The customer flow is enhanced with differing materials that lead shoppers easily throughout the space, looping back around the liquor section before leading to the POS stations, with tobacco as a nearby final purchase option.

The new layout exposes the entire store, encouraging a strong sense of discovery. High-volume products have been located to drive traffic, and fixtures and displays provide opportunities for browsing and impulse purchases. Previously underutilized warehouse space has been opened up to allow for an additional 1,810 sq.ft. of shopping area and new merchandise opportunities. New ceiling structures bring refinement and warmth to the store and allow for the introduction of accent lighting.

Overall, the store now has a more contemporary look, with a neutral palette that enhances merchandise display. Sustainable options for all proposed materials and finishes have been considered, to convey respect for the environment and to display the relationship with the region and its natural beauty.

Demonstration bars in the fragrance area, a makeover station in cosmetics, a tasting bar in liquor and special promotion areas throughout the store provide both educational and enhanced service opportunities. Dedicated 'shop-in-shop' installations for premium liquor, regional wine and craft beer will offer additional memorable experiences, helping to ensure that this store is must for cross-border shoppers!

At the end of Tab H, you will find a mood board, floor plan, interior rendering, and exterior rendering. These will provide visuals of PBDF's proposed design intentions for the store.

All these design enhancements mentioned above will create an exciting new retail environment in the Store. These enhancements will improve customer flow and product displays, and will result in significantly increased sales.

## Transition

PBDF as the incumbent operator does not require a start up plan, as it will have continuous operations. PBDF plans a complete major renovation of the Store starting in January 2017 and construction is expected to continue for 4 consecutive months.

PBDF is confident in its ability to implement a phased approach to the proposed renovation and upgrade of the current facility. PBDF will rely on the expertise of SmartDesign Group, a leading retail design consultant, with global experience executing duty free construction projects under very tight timelines and constraints.

PBDF can guarantee that there will be continuous service and sales throughout the renovation and with increased signage and awareness combined with knowledgeable staff, customers will not be affected by a phased construction schedule.

**PBDF will deliver continuous operations/sales throughout the renovation of the Store.**

## Proposed Minimum Base Rent, Percentage Rent, Proposed Section 4.03 and Form of Lease

PBDF is pleased to offer the following financial terms (all in Canadian dollars) to the Authority in accordance with the guidelines provided in the RFP (including Appendix G).

### Minimum Base Rent:

PBDF proposes a Minimum Base Rent of \$4,000,000.

### Percentage Rent:

The Annual Percentage Rent proposed is based on the Tenant's Annual Gross Sales, as follows:

Annual Sales			Rent % Applicable to Range of Sales
\$0	up to	\$20,000,000	20
>\$20,000,000	up to	\$25,000,000	22
>\$25,000,000			24

To facilitate monthly payments of the Percentage Rent pursuant to section 4.03 of the Lease, PBDF proposes that Percentage Rent payable in a given month will be calculated on the basis of the Applicable Percentage Rent Rate based on Aggregate Year-to-Date Gross Sales x Tenant's Gross Sales during the month for which Percentage Rent is being calculated.

At the end of each year, there will be a reconciliation to ensure that the Percentage Rent paid on a monthly basis equals the Percentage Rent payable on the basis of the Tenant's Annual Gross Sales.

The tenant's annual gross sales will include sales related to products from the Store, currency exchange revenue and sales of its sub tenants and any other elements defined in the lease.

For clarity, based on \$25,000,000 in Tenant's Annual Gross Sales the Annual Percentage Rent would be \$5,100,000.

### Proposed Section 4.03 (Percentage Rent)

PBDF is pleased to provide a completed section 4.03 (Percentage Rent) in the Form of Lease on the basis of PBDF's financial proposal. Please note that PBDF proposes that the Percentage Rent will be the same for the initial term of the lease and the extension term of the lease. This is reflected in section 4.03 proposed below.

#### 4.03 Percentage Rent

The Tenant covenants and agrees with the Landlord to pay Annual Percentage Rent, as follows:

- The Tenant will pay to the Landlord 20% of the Tenant's Annual Gross Sales that are \$0 up to \$20,000,000
- The Tenant will pay to the Landlord 22% of the Tenant's Annual Gross that are in excess of \$20,000,000 but less than \$25,000,000
- The Tenant will pay to the Landlord 24% of the Tenant's Annual Gross Sales that are equal to or greater than \$25,000,00

To facilitate monthly payments of the Percentage Rent, the Tenant covenants and agrees with the

Landlord that if, during any month (including any broken calendar month) of the Term of the Lease or any Extension Term of the Lease, the Calculated Percentage Rent (which is based on the Tenant's Gross Sales during such monthly period) exceeds the monthly Base Rent for the same monthly period, the Tenant will within twenty-five (25) days following the conclusion of such monthly period, pay the resulting difference between the calculated Percentage Rent and the Base Rent together with all applicable taxes, to the Landlord as Percentage Rent.

The Calculated Percentage Rent is to be calculated as follows: Applicable Percentage Rent Rate x Tenant's Gross Sales during the month for which Percentage Rent is being calculated. The Applicable Percentage Rent Rate is based on the Tenant's Year-to-Date Annual Gross Sales.

At the end of each year, there will be a reconciliation based on the Tenant's audited Annual Gross Sales to ensure that the Tenant pays the higher of the Annual Percentage Rent or Minimum Base Rent.

**Form of Lease;**

PBDF confirms that it does not propose any changes to the Form of Lease,



## Sub Tenancy Arrangements

PBDF currently has a sub tenancy agreement with the Tim Horton's restaurant and McDonald's restaurant which will expire on October 31, 2016.

PBDF proposes to continue with these sub tenancy agreements and has included the projected sales from the Tim Horton's and McDonald's restaurants located within the Store into its Pro forma.

PBDF is currently discussing with Tim Horton's and McDonald's the continuation of these sub tenancy agreements if PBDF becomes the Successful Proponent.



These sub tenants will increase Store awareness, customer volumes and sales.

## Forecasted Sales

PBDF's financial projections for this opportunity were developed based on its extensive experience in land border duty free operations and consideration of many factors including reference to its proprietary database to determine what products appeal to key customer demographics, its analysis of the retail environment (i.e. traffic flows, customer volume, store flow and sight lines, etc.) and by soliciting input from key brand partners and duty free industry consultants.

PBDF began its analysis by examining the actual performance metrics of the current Store and the passenger demographics/volumes and associated spending behaviors. In addition to understanding the current situation, PBDF also looked at many new opportunities that would allow for a significantly improved business.

These opportunities include:

- New Merchandise Categories/Brands and optimization and expansion of the retail space,
- Improved proposed retail store design that will make the Store more inviting and increase customer penetration.
- New innovative technology applications, online activities and marketing initiatives.
- Consideration of how future traffic flows, customer volumes and changing demographics would impact store performance.

PBDF used projected proprietary passenger demographic/volume information and coupled it with its understanding of spending by customer segment. This information, in addition to many brand considerations, guided it on its proposed merchandise mix for the Store.

The Store will have appropriate foreign language speaking staff in order to converse with significant customer segments in their language of preference to stimulate sales.

PBDF's estimated spend per customer segment (car, bus and truck customer) is a function of many factors including customer demographics, customer volume, store design, increased retail space, product offerings, marketing initiatives, price, brand/product appeal, operational programs, and dwell time. Annual customer volume growth and associated average transaction value was projected by customer segment.

In Year 1, store downtime due to construction has been factored into the sales estimate. Store downtime due to construction was mitigated by taking a more expensive phased approach to the store development. This additional cost was partially offset by the benefit of continuous sales.

Based on the above, the forecasted sales at the Store including currency exchange revenue and its sub tenants sales during the term of the lease are as follows:

### Forecasted Sales (\$ million)

Year	1	2	3	4	5	6	7	8	9	10
Sales	26.3	29.8	30.5	31.3	32.1	32.9	33.7	34.5	35.4	36.3

Year	11	12	13	14	15	16	17	18	19	20
Sales	37.2	38.1	39.1	40.0	41.0	42.1	43.1	44.2	45.3	46.4

**Tab G - Operating and Capital Cost****Operating Costs:**

Forecasted operating costs were projected based on a combination of PBDF's actual operating cost experience for the land border duty free operation, using 2015 financial results as a baseline, and by adjusting future costs by taking into consideration many key items including projected customer volumes by segment, new capital investment, property tax adjustments due to the new store development, etc.

PBDF projects to spend \$1 million annually on marketing and sales initiatives.

PBDF examined its fixed versus variable cost structure and considered this as it projected its expenses in relation to projected customer volumes and associate sales.

The inflation rate used for expense growth was 3%.

**Capital Investment:**

PBDF's capital projection included several items including new store development, new computer systems, equipment, etc. Details of our capital cost related to the facility/property only are described in more detail in Tab H of this submission.

Below are PBDF's forecasted operating and capital costs during the term of the lease.

**Forecasted Operating and Capital Costs (\$000)**

Year	1	2	3	4	5	6	7	8	9	10
Rent to Authority	5,405	6,246	6,425	6,608	6,796	6,988	7,185	7,388	7,595	7,807
Rent from Subtenant	-178	-201	-206	-211	-217	-222	-228	-233	-239	-245
Rent Cost to PBDF	5,227	6,045	6,219	6,397	6,579	6,766	6,958	7,154	7,355	7,562
Compensation	2,648	2,727	2,809	2,893	2,980	3,069	3,161	3,256	3,354	3,454
Marketing	1,021	1,052	1,083	1,116	1,149	1,184	1,219	1,256	1,293	1,332
Other	1,314	1,444	1,487	1,532	1,578	1,625	1,674	1,724	1,776	1,829
Total Operating Costs	10,210	11,268	11,598	11,938	12,286	12,644	13,012	13,390	13,778	14,177
Capital	7,000					1,250				

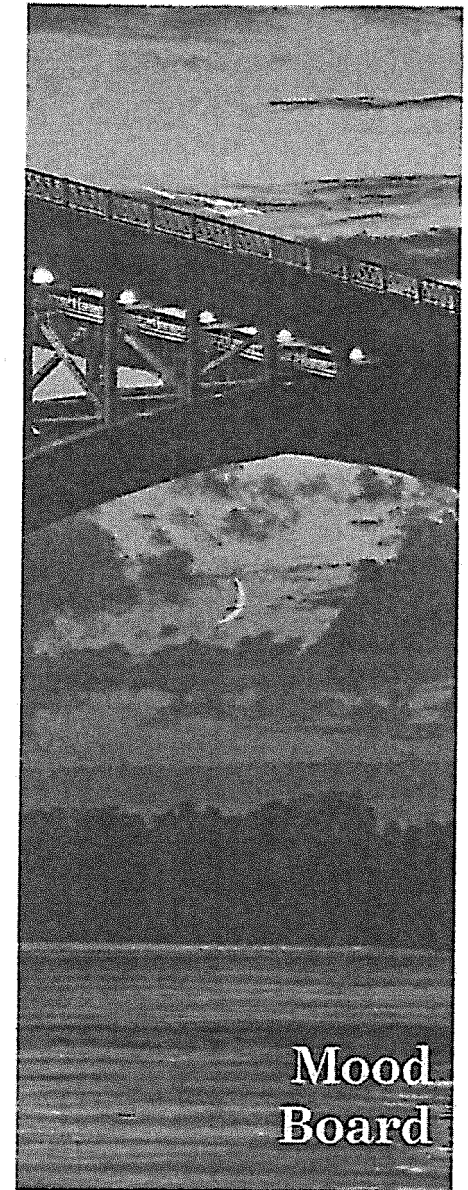
Year	11	12	13	14	15	16	17	18	19	20
Rent to Authority	8,025	8,248	8,477	8,711	8,951	9,198	9,450	9,709	9,974	10,246
Rent from Subtenant	-251	-258	-264	-271	-278	-284	-292	-299	-306	-314
Rent Cost to PBDF	7,773	7,990	8,212	8,440	8,674	8,913	9,158	9,410	9,668	9,932
Compensation	3,558	3,665	3,775	3,888	4,005	4,125	4,248	4,376	4,507	4,642
Marketing	1,372	1,413	1,456	1,499	1,544	1,591	1,638	1,688	1,738	1,790
Other	1,884	1,940	1,998	2,058	2,120	2,184	2,249	2,317	2,386	2,458
Total Operating Costs	14,587	15,008	15,441	15,885	16,343	16,813	17,293	17,791	18,299	18,822
Capital	1,250					1,250				

## Capital Investment

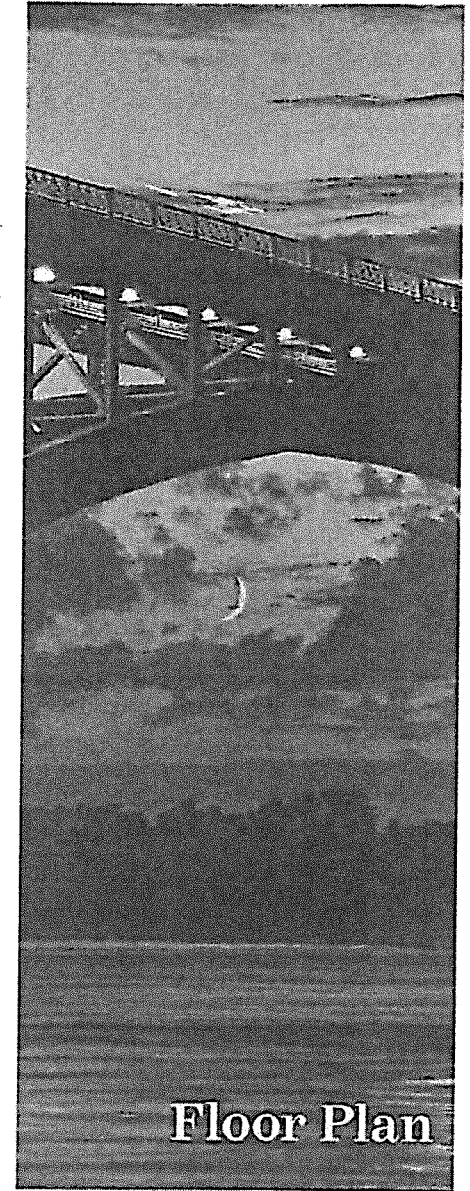
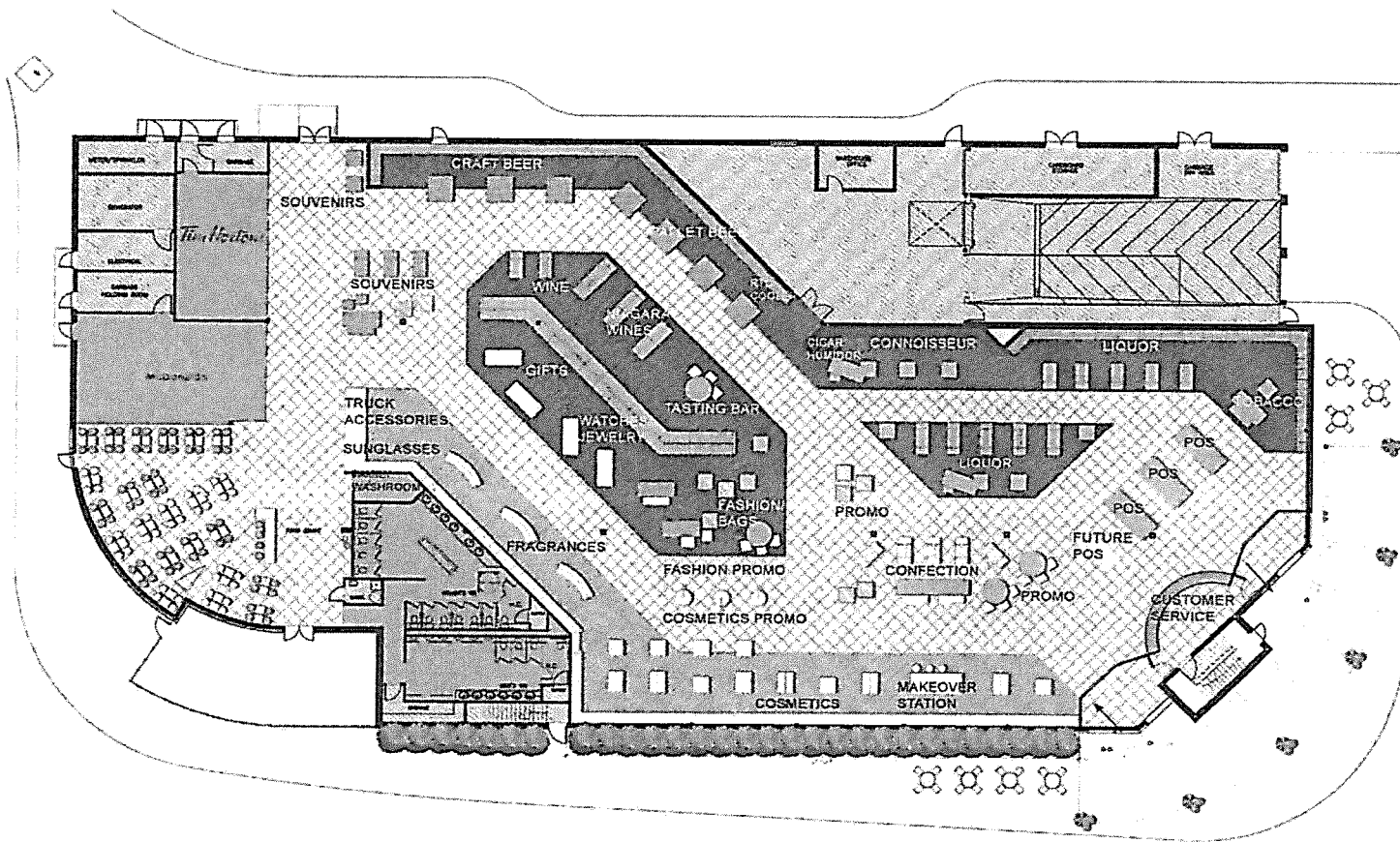
Our initial Store Capital Investment is estimated to be \$6,000,000. Below is a breakdown of the key components.

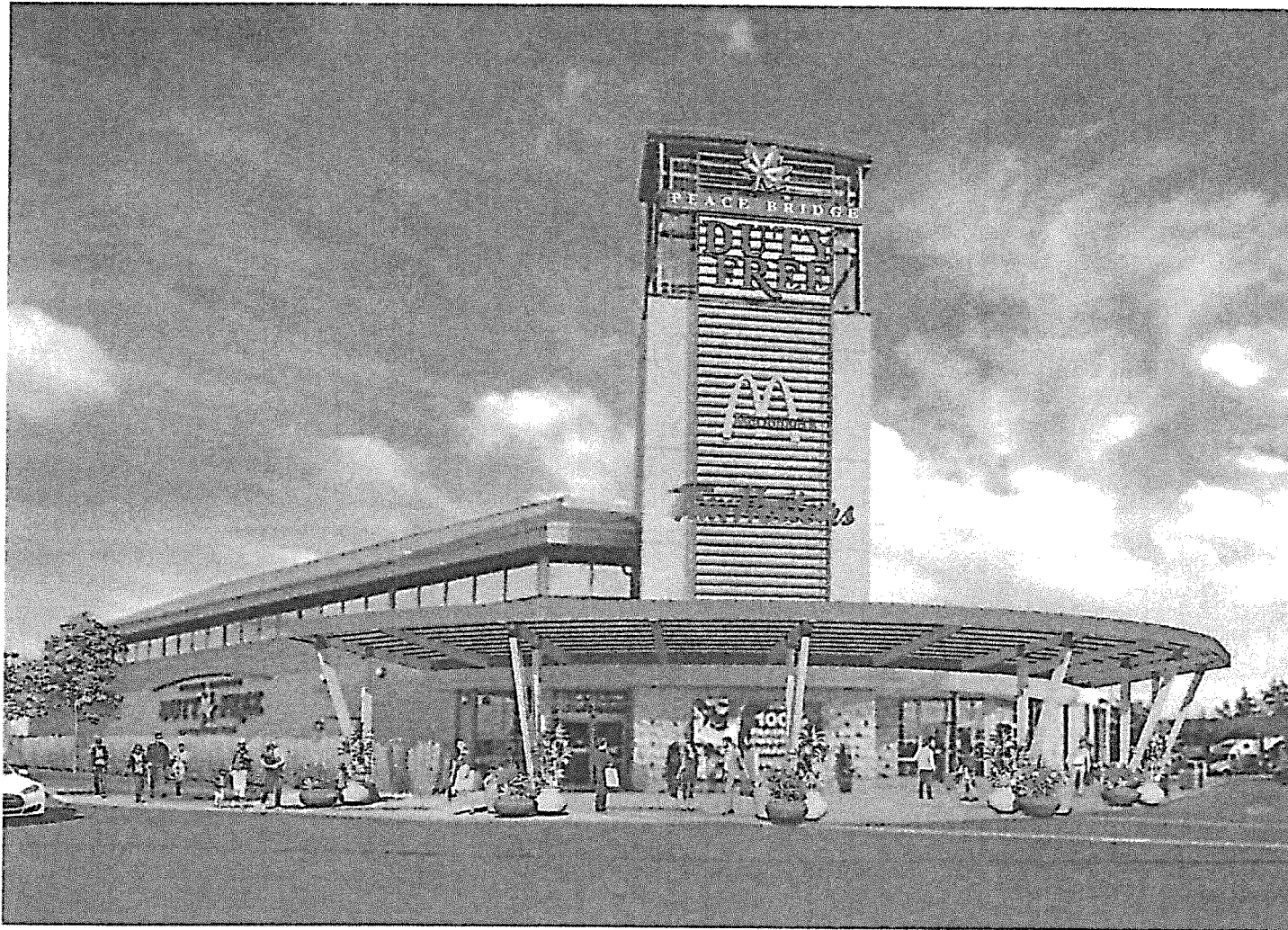
General Construction including millwork/POS	\$ 4,975,000
FF&E (Food Court/Exterior Seating)	125,000
Lighting & Media	300,000
	<hr/>
Subtotal Before Consultant Fees	\$ 5,400,000
	<hr/>
Consultant Fees	600,000
	<hr/>
<b>Total Initial Store Capital Investment</b>	<b>\$ 6,000,000</b>
	<hr/>

In addition to the initial capital described above, Peace Bridge Duty Free has provided for Refurbishment Capital in years 6, 11, and 16 of this lease. The amount allocated in each refurbishment year is \$1.25 million. The total amount of Store capital investment that PBDF will commit to over the course of the lease is \$9.75 million.

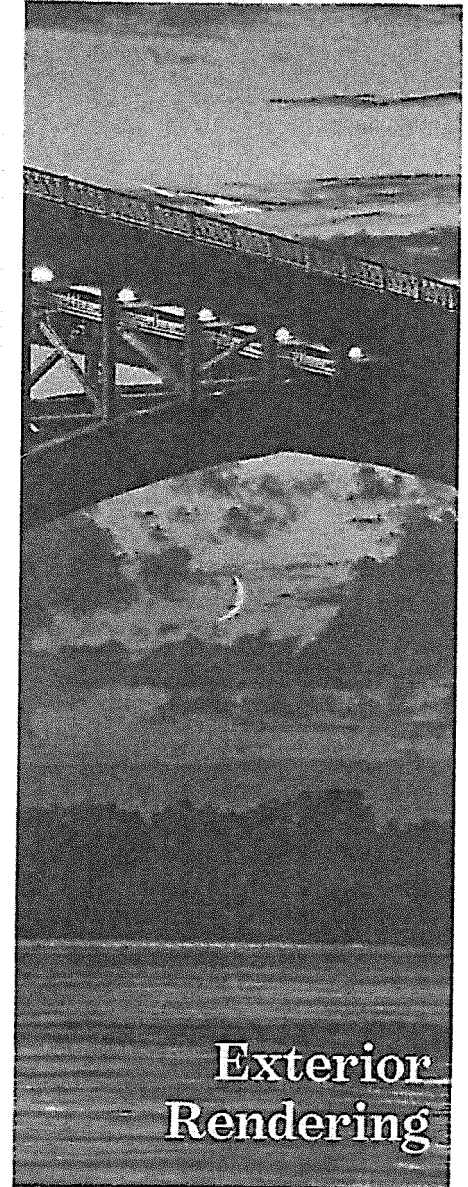




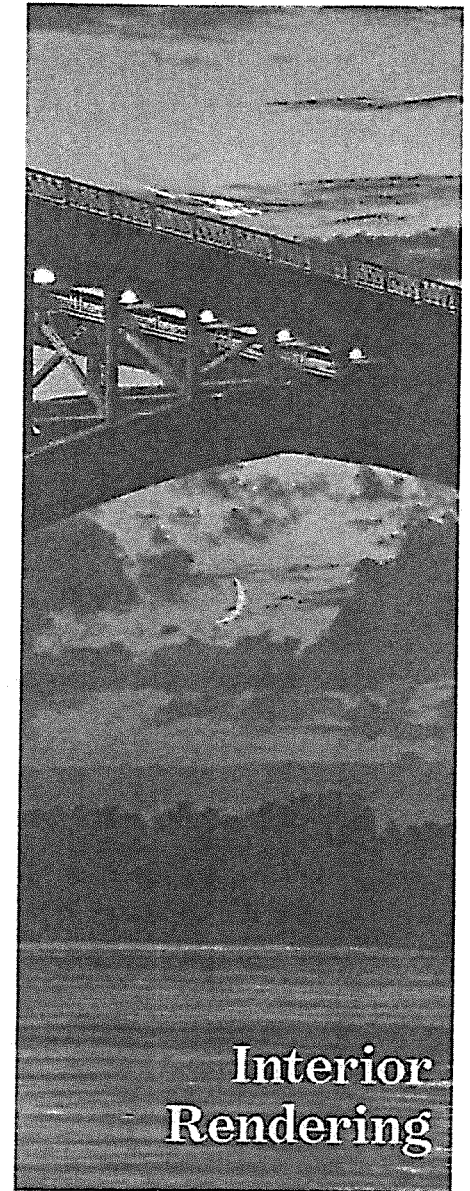




Peace Bridge Duty Free









1311

This is Exhibit "B" referred to in the Affidavit of Jim Pearce sworn  
remotely this 12<sup>th</sup> day of December 2021.

A handwritten signature in black ink, appearing to read 'Alexandra Teodorescu', written in a cursive style.

---

*Commissioner for Taking Affidavits (or as may be)*

**Alexandra Teodorescu**

TAB 2

**RENT DEFERRAL AGREEMENT**

THIS AGREEMENT made the 27<sup>th</sup> day of April, 2020:

BETWEEN:

**BUFFALO AND FORT ERIE PUBLIC BRIDGE AUTHORITY**  
(the "Landlord")

AND

**PEACE BRIDGE DUTY FREE INC.**  
(the "Tenant")

WHEREAS:

- A. By a lease made July 28, 2016 between the Landlord and the Tenant, the Tenant leased from the Landlord certain premises (the "Premises") municipally known 1 Peace Bridge, Fort Erie, Ontario, for a term commencing November 1, 2016 and expiring October 31, 2031; and
- B. Due to travel restrictions and economic hardships created across the world by the COVID-19 pandemic, the Tenant requests rent relief.

**NOW THEREFORE THIS AGREEMENT WITNESSES** in consideration of the covenants and agreements contained herein, and for other good and valuable consideration, the receipt of sufficiency whereof is hereby acknowledged, the parties agree as follows:

**1. INTERPRETATION**

1.1 **Expressions in Lease:** Unless expressly provided to the contrary in this Agreement, all terms defined in the Lease shall have the same meaning in this Agreement.

1.2 **Definitions and Interpretation:** The Lease is amended by adding the following definitions thereto:

"Amortization Period" means the one year period commencing on the Restart Date.

"Suspension Date" means April 1, 2020.

"Deferred Rent" means the Base Rent otherwise payable by the Tenant pursuant to the Lease during the Rent Deferral Period but for the terms of this Agreement.

"Rent Deferral Period" means the period commencing on the Rent Suspension Date to and including the earlier of:

- 1. July 31, 2020; or

- II. the last day of the month following the date that the Tenant has fully reopened the Duty Free Shop for business after the restrictions on non-essential travel between Canada and the United States are lifted (for greater clarity, a partial reopening to accommodate essential travel does not constitute a full reopening).

"Required Conditions" means:

- I. the Tenant pays all Additional Rent throughout the Rent Deferral Period, including without limitation, all Operating Costs and Property Taxes;
- II. the Tenant does not seek benefit or protection of any statute for the benefit of bankrupt or insolvent debtors, including without limitation, a proposal, assignment or arrangement with its creditors or the repudiation or disclaimer of the Lease;
- III. there has not been a Transfer (as defined in section 14.01 of this Lease); and
- IV. the Tenant strictly complies with all of the terms of the Lease and there is no Event of Default; and
- V. the Tenant strictly complies with all of the terms of this Agreement (including without limitation, the representations and warranties herein).

"Restart Date" means the day immediately following the last day of the Rent Deferral Period.

## 2. RENT DEFERRAL

### 2.1 Tenant's Representations and Warranties: The Tenant represents and warrants to the Landlord the following:

- (a) the Tenant temporarily closed its business at the Premises on or about March 21, 2020 and will fully re-open for business at the Premises as soon the restrictions on non-essential travel between Canada and the United States of America are lifted; and
- (b) the Tenant has and will continue to use its best efforts to take advantage of all government programs offering financial relief from the effects of the COVID-19 pandemic, including without limitation, any income tax deferral or reduction, rent assistance, employee wage and benefit subsidies and the like, with a view to ensuring that the Tenant is and remains a financially viable business, and shall keep the Landlord apprised of the Tenant's efforts in this regard.

### 2.2 Rent Suspension and Deferral: Provided the Required Conditions are met both throughout the Rent Deferral Period and the Amortization Period, then notwithstanding anything in this Lease to the contrary, the Tenant's obligation to pay the Deferred Rent during the Rent Deferral Period shall be suspended and deferred and shall not be payable until the Restart Date. The Tenant shall, however, be bound by all the other terms and conditions of this Lease during the Rent Suspension Period. For the purpose of clarity, it is understood and agreed that if any of the Required Conditions are not met, the Tenant's right to suspend and defer payment of Deferred Rent during the Rent Suspension Period shall be immediately forfeited and withdrawn retroactive to the Rent Suspension Date and the Deferred Rent that would otherwise have been payable during the Rent Suspension Period to the date of such forfeiture shall be immediately due and payable together with interest thereon at the rate set forth in the Lease for non-payment of Rent, calculated from the date each such installment of Deferred Rent would otherwise have been payable pursuant to Lease but for this Agreement. Except as expressly

*are not done*

24/

suspended and deferred in accordance with this section, the Tenant shall continue to pay all Rent in accordance with the Lease.

- 2.3 **Repayment of the Deferred Rent:** Repayment of the Deferred Rent shall commence on the Restart Date. The aggregate amount of Deferred Rent together with interest thereon at the rate of 4% per annum shall be amortized over the Amortization Period and repaid by the Tenant in equal consecutive monthly instalments on the first day of each month from and including the Restart Date, without abatement or set-off, in the same manner as Rent. The Tenant covenants and agrees that if at any time, any of the Required Conditions are not met, the Landlord's agreement to amortize the repayment of the Deferred Rent shall be deemed to have been immediately withdrawn and the Tenant shall immediately pay to the Landlord the then outstanding unamortized balance of the Deferred Rent together with interest thereon at the rate of 4% per annum.

### 3. ACKNOWLEDGEMENT

- 3.1 **Acknowledgement:** The Tenant confirms that, as of the date hereof, (a) the Landlord is not in default under any obligation of the Landlord under the Lease and (b) there are no disputes or claims outstanding by the Tenant against the Landlord in respect of any past billings, rental recoveries or other matters pertaining to the Lease.

### 4. NO AGREEMENT

- 4.1 This Agreement shall be deemed not to have been executed and delivered by the Landlord until:
- i. this Agreement has been duly executed by all the other parties hereto and the Landlord has received at least one executed original hereof; and
  - ii. the Landlord has received payment of the sum of \$3,000 plus the applicable HST thereon, being the estimated legal fees incurred by the Landlord in relation to the request for rent-relief and the preparation of this Agreement.

Until the aforesaid deliverables have been received by the Landlord, the Landlord may, at its sole option, by written notice to the Tenant, withdraw any agreement in respect of rent-relief and this Agreement shall be null and void and of no further force or effect.

### 5. AGREEMENT PART OF LEASE

- 5.1 **Agreement Part of Lease:** This Agreement shall be read in conjunction with the Lease and shall form a part thereof and all provisions of the Lease insofar as applicable and except as amended by this Agreement shall continue in full force and effect and shall be binding upon and shall enure to the benefit of the parties, their successors and permitted assigns.
- 5.2 **Further Assurances:** Each party shall at any time and from time to time, upon the request of the other party, execute and deliver such further documents and do such further acts and things as the other party may reasonably request to evidence, carry out and give full effect to the terms, conditions, intent and meaning of this Agreement.
- 5.3 **Counterparts:** This Agreement may be executed by the parties in separate counterparts each of which when so executed and delivered to all of the parties shall be deemed to be and shall be read as a single agreement among the parties.

*[Signature Page Follows]*

IN WITNESS WHEREOF the parties hereto have duly executed this Agreement with effect on the date first set out on the first page of this Agreement.

**BUFFALO AND FORT ERIE PUBLIC  
BRIDGE AUTHORITY**

Per: 

Name: ☐

*Ron Kienas*

Title: ☐

*General Manager*

c/s

Per: \_\_\_\_\_

Name: ☐

Title: ☐

I/We have authority to bind the corporation

**PEACE BRIDGE DUTY FREE INC.**

Per: 

Name: ☐

*G.B. O'HARA*

Title: ☐

*PRESIDENT*

c/s

Per: \_\_\_\_\_

Name: ☐

Title: ☐

I/We have authority to bind the corporation

TAB 3

1318  
GOWLING WLG

September 8, 2021

Via Registered Mail

Christopher M. Stanek  
Direct +1 416 862 4369  
christopher.stanek@gowlingwlg.com  
File no. K0555679Peace Bridge Duty Free Inc.  
PO BOX 339 STN Main  
Fort Erie, Ontario  
L2A 5N11 Peace Bridge  
Fort Erie, Ontario  
L2A 5N1

Attention : Greg O'Hara and Jim Pearce

Dear Mr O'Hara and Mr. Pearce:

Re: Buffalo and Fort Erie Public Bridge Authority and Peace Bridge Duty Free Inc.Please find enclosed a Notice of Default, dated September 8, 2021 and Notice of Default pursuant to Subsection (19)2 of the *Commercial Tenancies Act*, dated September 8, 2021.

Sincerely,

Gowling WLG (Canada) LLP

Christopher M. Stanek

CMS:cc  
Encls.Gowling WLG (Canada) LLP  
Suite 1600, 1 First Canadian Place  
100 King Street West  
Toronto ON M5X 1G5 CanadaT +1 416 862 7525  
F +1 416 862 7661  
gowlingwlg.comGowling WLG (Canada) LLP is a member of Gowling WLG, an international law firm which consists of independent and autonomous entities providing services around the world. Our structure is explained in more detail at [gowlingwlg.com/legal](http://gowlingwlg.com/legal)

ACTIVE\_CA\47417783\1



## NOTICE OF DEFAULT

TO: PEACE BRIDGE DUTY FREE INC. (hereinafter called the "Tenant")  
PO Box 339 STN Main  
Fort Erie, ON L2A 5N1  
Attn: Greg O'Hara / Jim Pearce

and to:

1 Peace Bridge  
Fort Erie, ON L2A 5N1  
Attn: Greg O'Hara / Jim Pearce

RE: A lease dated as of July 28, 2016 between Buffalo and Fort Erie Public Bridge Authority (the "Landlord") and the Tenant for premises (the "**Leased Premises**") comprising certain lands and the building located thereon all as more particularly described therein (the "**Lease**")

---

You have failed to pay Rent (as defined in the Lease) as and when due in accordance with the Lease. Further, you have failed to pay Rent as and when due in accordance with the *Canada Emergency Rent Subsidy* program administered by the *Canada Revenue Agency*.

As of today's date, your arrears of Rent amount to \$5,931,389 (the "**Arrears**"), the details of which are set out in the attached Appendix 1. This is not acceptable and must be remedied immediately.

The Landlord requires payment of the Arrears (\$5,931,389) in full, by certified funds, by 4:00 p.m. EST on September 17, 2021 delivered to the Landlord at 100 Queen Street, Fort Erie, Ontario L2A 3S6 to the attention of Karen Costa, Chief Financial Officer, failing which, the Landlord will have no choice but to resort to its remedies, both under the Lease and at law, without further notice to you, including without limitation, distraining (seizing and selling) your goods and applying the proceeds on account of the payment of the Arrears, or alternatively, re-entering the Leased Premises and terminating the Lease.

Finally, please be advised that no assets may be removed from the Leased Premises if the purpose of such removal is to defeat the Landlord's right to seize and sell those assets to satisfy the Arrears. If you do so, both you and any person who knowingly assists in this removal will be subject a penalty to be paid to the Landlord equal to double the value of the removed assets. We refer you to section 50 of the *Commercial Tenancies Act* in this regard.

The date of delivery of this notice shall be the date of its delivery to the Leased Premises, notwithstanding that a copy may be sent by registered mail, courier, facsimile or email to any other person or to the Tenant at any other address for the purposes of confirmation or courtesy only.

...2

We regret being compelled to send you this notice but you have left us with no alternative.

Govern yourself accordingly.

Dated at Toronto, Ontario, this 8<sup>th</sup> day of September 2021.

BUFFALO AND FORT ERIE PUBLIC BRIDGE AUTHORITY  
by its solicitors,  
GOWLING WLG (CANADA) LLP

Per: 

Christopher Stanek  
Partner

ACTIVE\_CAI4741621311

Peace Bridge Duty Free  
Details of Arrears  
As of 9/7/2021

	Calculated Rent						CDN		
	Base	Base rent	HST	CAM (Operating)	CAM HST (Operating)		Paid		Outstanding September 7, 2021
1/20	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -			
2/20	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -			
3/20	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -			
4/20	\$ 333,333	\$ 43,333	\$ -	\$ 8,167	\$ 1,062	\$ 385,895	\$ 9,229	\$ 43,333	\$ 122,504
5/20	\$ 333,333	\$ 43,333	\$ -	\$ 8,167	\$ 1,062	\$ 385,895	\$ 9,229	\$ 43,333	\$ 333,333
6/20	\$ 333,333	\$ 43,333	\$ -	\$ 8,167	\$ 1,062	\$ 385,895	\$ 9,229	\$ 43,333	\$ 333,333
7/20	\$ 333,333	\$ 43,333	\$ -	\$ 8,167	\$ 1,062	\$ 385,895	\$ 9,229	\$ 43,333	\$ 333,333
8/20	\$ 333,333	\$ 43,333	\$ -	\$ 8,167	\$ 1,062	\$ 385,895	\$ 9,229	\$ 43,333	\$ 333,333
9/20	\$ 333,333	\$ 43,333	\$ -	\$ 8,167	\$ 1,062	\$ 385,895	\$ 9,229	\$ 43,333	\$ 333,333
10/20	\$ 333,333	\$ 43,333	\$ -	\$ 8,167	\$ 1,062	\$ 385,895	\$ 9,229	\$ 43,333	\$ 333,333
11/20	\$ 333,333	\$ 43,333	\$ -	\$ 8,167	\$ 1,062	\$ 385,895	\$ 9,229	\$ 43,333	\$ 333,333
12/20	\$ 333,333	\$ 43,333	\$ -	\$ 8,167	\$ 1,062	\$ 385,895	\$ 9,229	\$ 43,333	\$ 333,333
1/21	\$ 333,333	\$ 43,333	\$ -	\$ 8,167	\$ 1,062	\$ 385,895	\$ 9,229	\$ 43,333	\$ 333,333
2/21	\$ 333,333	\$ 43,333	\$ -	\$ 9,050	\$ 1,177	\$ 386,893	\$ 10,287	\$ 43,333	\$ 333,273
3/21	\$ 333,333	\$ 43,333	\$ -	\$ 9,050	\$ 1,177	\$ 386,893	\$ 10,167	\$ 43,333	\$ 333,393
4/21	\$ 333,333	\$ 43,333	\$ -	\$ 9,050	\$ 1,177	\$ 386,893	\$ 10,227	\$ 43,333	\$ 333,333
5/21	\$ 333,333	\$ 43,333	\$ -	\$ 10,812	\$ 1,406	\$ 388,885	\$ 12,218	\$ 43,333	\$ 333,333
6/21	\$ 333,333	\$ 43,333	\$ -	\$ 10,812	\$ 1,406	\$ 388,885	\$ 12,218	\$ 43,333	\$ 333,333
7/21	\$ 333,333	\$ 43,333	\$ -	\$ 10,812	\$ 1,406	\$ 388,885	\$ 12,218		\$ 376,667
8/21	\$ 333,333	\$ 43,333	\$ -	\$ 10,812	\$ 1,406	\$ 388,885	\$ 12,218		\$ 376,667
9/21	\$ 333,333	\$ 43,333	\$ -	\$ 10,812	\$ 1,406	\$ 388,885			\$ 388,885
Totals	\$ 6,000,000	\$ 780,000	\$ -	\$ 162,880	\$ 21,174	\$ 6,964,055	\$ 171,837	\$ 650,000	\$ 5,931,389

DETAILS OF ARREARS

APPENDIX 1

1322

NOTICE OF DEFAULT PURSUANT TO SUBSECTION 19(2)  
OF THE *COMMERCIAL TENANCIES ACT*

TO PEACE BRIDGE DUTY FREE INC. (hereinafter called the "Tenant")  
PO Box 339 STN Main  
Fort Erie, ON L2A 5N1  
Attn: Greg O'Hara / Jim Pearce

and to:

1 Peace Bridge  
Fort Erie, ON L2A 5N1  
Attn: Greg O'Hara / Jim Pearce

RE: A lease dated as of July 28, 2016 between Buffalo and Fort Erie Public Bridge Authority (the "Landlord") and the Tenant for premises (the "Leased Premises") comprising certain lands and the building located thereon all as more particularly described therein (the "Lease")

---

TAKE NOTICE that the Tenant is in breach of the following sections of the Lease:

"4.06 Letter of Credit

The Tenant covenants that, on or before the Commencement Date, the Tenant shall deliver to the Landlord an irrevocable and unconditional letter of credit or other form of cash collateral security satisfactory to the Landlord (the "Letter of Credit") in favour of Landlord issued by a Schedule 1 Canadian chartered bank in the amount of \$50,000.00, which shall be held by the Landlord during the Term and any Extension Term. The Letter of Credit shall be in such form as is approved in advance by the Landlord. If at any time during the Term or any Extension Term, the Tenant defaults in the payment of any Rent or other amounts payable under this Lease or in the performance of any of its other obligations under this Lease or if this Lease is surrendered, terminated, disclaimed or repudiated whether by Landlord as a result of default of Tenant or in connection with any insolvency or bankruptcy of Tenant or otherwise, then Landlord at its option may, in addition to any and all other rights and remedies provided for in this Lease or at law, draw a portion of or all of the principal amount of the Letter of Credit, whereupon the proceeds thereof shall be applied to compensate Landlord for damages suffered by it as the result of Tenant's default, and the balance, if any, will be returned to the Tenant. If the Landlord draws all or part of the Letter of Credit, the Tenant shall provide the Landlord with a replacement Letter of Credit in the full amount of \$50,000 upon written demand from the Landlord to do so. ..."

"9.02 Conduct and Operation of Business

The Tenant shall occupy the Leased Premises during the Term of the Lease and shall continuously and actively carry on the Permitted Use in the whole of the Leased Premises. In the conduct of the Tenant's business pursuant to this Lease, the Tenant shall:

- (a) operate its business 24 hours a day, seven days a week, 365 days a year with due diligence and efficiency and maintain an adequate staff to properly serve all customers;..."

#### "17.01 Event of Default

An "Event of Default" shall be considered to have occurred when any one or more of the following happens:

- (g) the Tenant abandons or attempts to abandon the Leased Premises or the Leased Premises remain vacant for ten (10) consecutive days or more without the prior written consent of the Landlord;"

The Tenant is in breach of the foregoing sections of the Lease in that:

- (i) it has failed to provide the Landlord with a replacement Letter of Credit in the full amount of \$50,000 upon written demand from the Landlord to do so;
- (ii) it has not continuously and actively carried on the Permitted Use in the whole of the Leased Premises and it has not operated its business 24 hours a day, seven days a week, 365 days a year;
- (iii) it abandoned the Leased Premises on or about March 24, 2020;
- (iv) it has let the Leased Premises remain vacant for ten (10) consecutive days or more without the prior written consent of the Landlord; and
- (v) it has failed to re-open the Leased Premises notwithstanding that a proposal issued by the Tenant and received by the Landlord on August 20, 2021 states that the Tenant is ready to re-open, and despite the Landlord's repeated requests for the Tenant to re-open.

As such, the current month's instalment of Rent (as defined in the Lease) and the next three (3) months' instalments of Rent became immediately due and payable pursuant to subsection 17.02(d) of the Lease.

Pursuant to the provisions of the Lease and subsection 19(2) of the *Commercial Tenancies Act*, the Tenant is hereby required to remedy the above noted breaches on or before 4 p.m. (local time) September 22, 2021 and is required to make money compensation to the Landlord in respect of the full amount of the current month's instalment of Rent together with the next three (3) months' instalments of Rent, plus legal fees and disbursements in the amount of \$10,000, plus HST.

The Landlord hereby gives further notice that if the Tenant does not make such payments and remedy such defaults on or before 4 p.m. (local time) September 19, 2021, then, at any time thereafter and without further notice or demand to the Tenant, the Landlord intends to exercise its rights under the Lease or at law.

The date of delivery of this notice shall be the date of its delivery to the Leased Premises, notwithstanding that a copy may be sent by registered mail, courier, facsimile or email to any other person or to the Tenant at any other address for the purposes of confirmation or courtesy only.

Dated at Toronto, Ontario, this 8<sup>th</sup> day of September 2021.

BUFFALO AND FORT ERIE PUBLIC BRIDGE AUTHORITY  
by its solicitors,  
GOWLING WLG (CANADA) LLP

Per: 

Christopher Stanek  
Partner

TAB 4

<u>2022</u>	<u>Gross Sales</u>	<u>Base Rent</u>	<u>Rent Paid</u>	<u>Date Paid</u>	
Jan.	\$266,000	\$333,333.33	\$53,200	2/16/2022	
Feb.	\$317,000	\$333,333.33	\$63,400	3/10/2022	
Mar.	\$575,000	\$333,333.33	\$115,000	4/11/2022	
April	\$802,000	\$333,333.33	\$160,400	5/19/2022	
May	\$840,000	\$333,333.33	\$168,000	6/21/2022	
June	\$942,000	\$333,333.33	\$188,400	7/8/2022	
July	\$1,332,000	\$333,333.33	\$266,400	8/11/2022	
August	\$1,295,000	\$333,333.33	\$0		Not received as of 9/7/2022

**\* 4/20/2022 - Rec'd \$18,545.66 (CERS - Jan. 16 thru Feb. 12, 2022)**



TAB 5

**From:** Stanek, Chris  
**Sent:** January-07-22 1:52 PM  
**To:** Leanne Williams; Shea, Patrick  
**Subject:** RE: Peace Bridge [IMAN-CLIENT.FID148589]  
**Attachments:** Summary of amounts due 1.31.22.xlsx

Leanne:

Please see attached a breakdown of the outstanding rent payable including arrears and interest under the Lease. The Tenant's current monthly obligations (base rent + CAM) are as contained in the attached Excel spreadsheet. As for monthly payments, since they re-opened, the Tenants have been unilaterally paying only 20% of reported sales. The rate of interest under the Lease is 24% per annum compounded monthly – which is a per diem rate of .0675%.

If you have any other questions, please let us know.

Christopher Stanek

*Partner*

T +1 416 862 4369

christopher.stanek@gowlingwlg.com



**GOWLING WLG**

Gowling WLG (Canada) LLP  
Suite 1600, 1 First Canadian Place  
100 King Street West  
Toronto ON M5X 1G5  
Canada



[gowlingwlg.com](http://gowlingwlg.com)

Gowling WLG | 1,400+ legal professionals | 18 offices worldwide

**From:** Leanne Williams <LWilliams@tgf.ca>

**Sent:** Thursday, January 06, 2022 2:28 PM

**To:** Shea, Patrick <Patrick.Shea@ca.gowlingwlg.com>; Stanek, Chris <Christopher.Stanek@ca.gowlingwlg.com>

**Subject:** Peace Bridge [IMAN-CLIENT.FID148589]

This message originated from outside of Gowling WLG. | Ce message provient de l'extérieur de Gowling WLG.

Patrick/Chris,

Happy new year! I hope that you had a good holiday.

1329

On behalf of the Monitor, we are requesting that you please provide a breakdown of the outstanding rent. We would like to confirm the amount of the arrears (together with any interest and penalties), the current obligations and what is being paid monthly by the tenants. If possible, could you please also provide the rate of interest that is accruing and a per diem rate. Thanks!!

Leanne



Leanne M. Williams | | LWilliams@tgf.ca | Direct Line +1 416 304 0060 | Suite 3200, TD West Tower, 100 Wellington Street West, P.O. Box 329, Toronto-Dominion Centre, Toronto, Ontario M5K 1K7 | 416-304-1616 | Fax: 416-304-1313 | www.tgf.ca

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TAB 6

# **RENT DEFERRAL AGREEMENT**

**THIS AGREEMENT** made the 20th day of November, 2020.

**BETWEEN:**

**BUFFALO AND FORT ERIE PUBLIC BRIDGE AUTHORITY**  
(the "Landlord")

**AND**

**PEACE BRIDGE DUTY FREE INC.**  
(the "Tenant")

**WHEREAS:**

- A. By a lease made July 28, 2016 between the Landlord and the Tenant, the Tenant leased from the Landlord certain premises (the "**Premises**") municipally known 1 Peace Bridge, Fort Erie, Ontario, for a term commencing November 1, 2016 and expiring October 31, 2031; and
- B. Due to travel restrictions and economic hardships created across the world by the COVID-19 pandemic, the Tenant requests rent relief.

**NOW THEREFORE THIS AGREEMENT WITNESSES** in consideration of the covenants and agreements contained herein, and for other good and valuable consideration, the receipt of sufficiency whereof is hereby acknowledged, the parties agree as follows:

## **1. INTERPRETATION**

- 1.1 **Expressions in Lease:** Unless expressly provided to the contrary in this Agreement, all terms defined in the Lease shall have the same meaning in this Agreement.

- 1.2 **Definitions and Interpretation:** The Lease is amended by adding the following definitions thereto:

"**Amortization Period**" means the two year period commencing on the Restart Date.

"**Suspension Date**" means April 1, 2020.

"**Deferred Rent**" means the Base Rent otherwise payable by the Tenant pursuant to the Lease during the Rent Deferral Period but for the terms of this Agreement.

"**Rent Deferral Period**" means the period commencing on the Rent Suspension Date to and including the earlier of:

- i. March 31, 2021; or

- ii. the last day of the month following the date that the Tenant has fully reopened the Duty Free Shop for business after the restrictions on non-essential travel between Canada and the United States are lifted (for greater clarity, a partial reopening to accommodate essential travel does not constitute a full reopening).

**"Required Conditions"** means:

- i. the Tenant pays all Additional Rent throughout the Rent Deferral Period, including without limitation, all Operating Costs and Property Taxes;
- ii. the Tenant does not seek benefit or protection of any statute for the benefit of bankrupt or insolvent debtors, including without limitation, a proposal, assignment or arrangement with its creditors or the repudiation or disclaimer of the Lease;
- iii. there has not been a Transfer (as defined in section 14.01 of this Lease); and
- iv. the Tenant strictly complies with all of the terms of the Lease and there is no Event of Default; and
- v. the Tenant strictly complies with all of the terms of this Agreement (including without limitation, the representations and warranties herein).

**"Restart Date"** means the day immediately following the last day of the Rent Deferral Period.

## **2. RENT DEFERRAL**

### **2.1 Tenant's Representations and Warranties:** The Tenant represents and warrants to the Landlord the following:

- (a) the Tenant temporarily closed its business at the Premises on or about March 21, 2020 and will fully re-open for business at the Premises as soon the restrictions on non-essential travel between Canada and the United States of America are lifted; and
- (b) the Tenant has and will continue to use its best efforts to take advantage of all government programs offering financial relief from the effects of the COVID-19 pandemic, including without limitation, any income tax deferral or reduction, rent assistance, employee wage and benefit subsidies and the like, with a view to ensuring that the Tenant is and remains a financially viable business, and shall keep the Landlord apprised of the Tenant's efforts in this regard.

### **2.2 Rent Suspension and Deferral:** Provided the Required Conditions are met both throughout the Rent Deferral Period and the Amortization Period, then notwithstanding anything in this Lease to the contrary, the Tenant's obligation to pay the Deferred Rent during the Rent Deferral Period shall be suspended and deferred and shall not be payable until the Restart Date. The Tenant shall, however, be bound by all the other terms and conditions of this Lease during the Rent Suspension Period. For the purpose of clarity, it is understood and agreed that if any of the Required Conditions are not met, the Tenant's right to suspend and defer payment of Deferred Rent during the Rent Suspension Period shall be immediately forfeited and withdrawn retroactive to the Rent Suspension Date and the Deferred Rent that would otherwise have been payable during the Rent Suspension Period to the date of such forfeiture shall be immediately due and payable together with interest thereon at the rate set forth in the Lease for non-payment of Rent, calculated from the date each such installment of Deferred Rent would otherwise have been payable pursuant to Lease but for this Agreement. Except as expressly

suspended and deferred in accordance with this section, the Tenant shall continue to pay all Rent in accordance with the Lease.

- 2.3 **Repayment of the Deferred Rent:** Repayment of the Deferred Rent shall commence on the Restart Date. The aggregate amount of Deferred Rent together with interest thereon at the rate of 4% per annum shall be amortized over the Amortization Period and repaid by the Tenant in equal consecutive monthly instalments on the first day of each month from and including the Restart Date, without abatement or set-off, in the same manner as Rent. The Tenant covenants and agrees that if at any time, any of the Required Conditions are not met, the Landlord's agreement to amortize the repayment of the Deferred Rent shall be deemed to have been immediately withdrawn and the Tenant shall immediately pay to the Landlord the then outstanding unamortized balance of the Deferred Rent together with interest thereon at the rate of 4% per annum.

### 3. ACKNOWLEDGEMENT

- 3.1 **Acknowledgement:** The Tenant confirms that, as of the date hereof, (a) the Landlord is not in default under any obligation of the Landlord under the Lease and (b) there are no disputes or claims outstanding by the Tenant against the Landlord in respect of any past billings, rental recoveries or other matters pertaining to the Lease.

### 4. NO AGREEMENT

- 4.1 This Agreement shall be deemed not to have been executed and delivered by the Landlord until:
- i. this Agreement has been duly executed by all the other parties hereto and the Landlord has received at least one executed original hereof; and

Until the aforesaid deliverables have been received by the Landlord, the Landlord may, at its sole option, by written notice to the Tenant, withdraw any agreement in respect of rent-relief and this Agreement shall be null and void and of no further force or effect.

### 5. AGREEMENT PART OF LEASE

- 5.1 **Agreement Part of Lease:** This Agreement shall be read in conjunction with the Lease and shall form a part thereof and all provisions of the Lease insofar as applicable and except as amended by this Agreement shall continue in full force and effect and shall be binding upon and shall enure to the benefit of the parties, their successors and permitted assigns.
- 5.2 **Further Assurances:** Each party shall at any time and from time to time, upon the request of the other party, execute and deliver such further documents and do such further acts and things as the other party may reasonably request to evidence, carry out and give full effect to the terms, conditions, intent and meaning of this Agreement.
- 5.3 **Counterparts:** This Agreement may be executed by the parties in separate counterparts each of which when so executed and delivered to all of the parties shall be deemed to be and shall be read as a single agreement among the parties.

*[Signature Page Follows]*

1334

IN WITNESS WHEREOF the parties hereto have duly executed this Agreement with effect on the date first set out on the first page of this Agreement.

**BUFFALO AND FORT ERIE PUBLIC  
BRIDGE AUTHORITY**


Per: \_\_\_\_\_  
Name: ■  
Title: ■

c/s

Per: \_\_\_\_\_  
Name: ■  
Title: ■

I/We have authority to bind the corporation

**PEACE BRIDGE DUTY FREE INC.**

Per:   
Name: ■ GREGORY G. O'HARA  
Title: ■ PRESIDENT

c/s

Per: \_\_\_\_\_  
Name: ■  
Title: ■

I/We have authority to bind the corporation



TAB 7

**From:** Ron Rienas  
**Sent:** Friday, November 20, 2020 1:49 PM  
**To:** Greg O'Hara <[gohara@dutyfree.ca](mailto:gohara@dutyfree.ca)>  
**Cc:** Jim Pearce <[JimP@dutyfree.ca](mailto:JimP@dutyfree.ca)>  
**Subject:** RE: Attached Image -Rent Deferral Agreement

1336

Greg,

The Board has tentatively approved the rent deferral agreement conditional on getting greater assurances as to receiving unpaid rent. As you know, zero rent has been paid since April 1, 2020.

To that end the PBA is requesting the financial information requested in Articles 16.03 a) b) and c) of the lease. Please provide by no later than Tuesday November 25.

I would note that the financial statements required in Article 16.03 b) to be provided for 2019 were not provided by the end of March 2020.

I would also note that we have not yet received the HST reimbursement as promised in our discussion earlier this week.

Ron Rienas  
General Manager  
Buffalo & Fort Erie Public Bridge Authority

100 Queen Street, Fort Erie, ON L2A 3S6 | 1 Peace Bridge Plaza, Buffalo, NY 14213  
[rr@peacebridge.com](mailto:rr@peacebridge.com) T 905-994-3676 | T 716-884-8636 | F 905-871-9940 | F 716-884-2089 | C 905-651-2206

**From:** Ron Rienas  
**Sent:** Wednesday, December 2, 2020 5:27 PM  
**To:** Greg O'Hara <[gohara@dutyfree.ca](mailto:gohara@dutyfree.ca)>  
**Cc:** Jim Pearce <[JimP@dutyfree.ca](mailto:JimP@dutyfree.ca)>  
**Subject:** RE: Peace Bridge - Rent Deferral Agreement

1337

Greg,

Please provide the PBA with the following by no later than Monday December 7, 2020

- A copy of PBDF's 2020/21 winter control contract with Stevensville Lawn Service
- A certificate from a recognized and reputable HVAC contractor certifying that the HVAC system is in good working order.

You have not responded to my notice letter of November 27, 2020 requiring the PBDF to clean the washrooms as required by the lease. If you do not advise me by Monday December 7 that PBDF will be fulfilling this obligation the PBA will continue to provide this service at PBDF's expense. On a related issue there have been some mechanical issues with the washroom plumbing that the PBA plumbing tradesman and maintenance supervisor have had to be involved with. PBDF will be required to pay for their time.

Please be advised that the PBA has not executed the latest Rent Deferral Agreement. We are awaiting additional financial information and given other lease conformity issues we are not comfortable that the outstanding rent obligations will be met.

Ron Rienas  
General Manager  
Buffalo & Fort Erie Public Bridge Authority

100 Queen Street, Fort Erie, ON L2A 3S6 | 1 Peace Bridge Plaza, Buffalo, NY 14213  
[rr@peacebridge.com](mailto:rr@peacebridge.com) T 905-994-3676 | T 716-884-8636 | F 905-871-9940 | F 716-884-2089 | C 905-651-2206

**From:** Ron Rienas  
**Sent:** Wednesday, December 9, 2020 4:17 PM  
**To:** Jim Pearce <[JimP@dutyfree.ca](mailto:JimP@dutyfree.ca)>  
**Subject:** PBA Information request

1338

Jim,

We do not believe that PBDF is being at all forthcoming in providing requested information and is delaying and obfuscating at every opportunity. As I have indicated previously, the PBA needed to have a degree of comfort before extending the rent deferral to March 31, 2021.

**I want to make it clear that the PBA is not prepared to be PBDF's bank and are not prepared to defer *all* of the rent payments till March 31, 2021. Accordingly, the PBA is demanding payment of 1/3 of the outstanding 2020 rent, amounting to \$1 million, by December 31, 2020 with the balance of the 2020 unpaid rent and anticipated 2021 unpaid rent to be deferred to March 31, 2021.**

Please see my comments in red below to your e-mail of yesterday

TAB 8

**Ron Rienas**

---

**From:** Ron Rienas  
**Sent:** Thursday, February 24, 2022 3:34 PM  
**To:** Jim Pearce  
**Cc:** Greg O'Hara; Stanek, Chris; Karen L. Costa  
**Subject:** PBA - PBDF lease  
**Attachments:** Balance due 2.28.22.xlsx; THRP-CRA Notice-Rent-Per23 Dec18.pdf; THRP-CRA Notice-Rent-Per24 Jan15.pdf

Jim,

As per your e-mails below, we acknowledge receipt of the HST payment for Q4 of 2021.

However, your rent payment comment "*...thus no additional payments are due at this time.*" is incorrect. As you know, there are many additional rent payments due and as per the attached they amount to \$6,789,845.04. PBDF has arbitrarily determined to pay rent on the basis of 20% of sales. This amount has never been agreed to by PBA and is in violation of the lease.

As PBDF did for some amounts of CERS, PBDF is now choosing to use all of the government's THRP funding for other non-rent expenses with no regard for the amount of rent owed to PBDF's landlord.

As per Article 16.03 of the lease please provide us by no later than March 4, 2022, a draft of PBDF's 2021 financial statements.

Thank you.

Ron

**From:** Jim Pearce <[JimP@dutyfree.ca](mailto:JimP@dutyfree.ca)>  
**Sent:** Tuesday, February 22, 2022 11:00 AM  
**To:** Nancy C. Teal <[nct@peacebridge.com](mailto:nct@peacebridge.com)>  
**Subject:** PBA - THRP

Hi - attached are the CRA Notices for THRP for Period 23-Dec18th & Period 24-Jan15th (waiting on Period 22-Nov21st confirmation)

The rent previously paid exceeded the THRP subsidy thus no additional payments are due at this time.

Jim

Peace Bridge Authority  
 Analysis of Revenue - Canadian Duty Free  
 2/28/2022

	Calculated Rent					Paid			CDN Outstanding Feb. 28, 2022
	Base	Base rent HST	CAM (Operating)	CAM HST (Operating)		CAM (Operating)	HST	Base	
1/20	-	-	-	-	-				
2/20	-	-	-	-	-				
3/20	-	-	-	-	-				
4/20	333,333.33	43,333.33	8,166.86	1,061.69	385,895.21	9,228.55	43,333.36	333,333.31	0.00
5/20	333,333.33	43,333.33	8,166.86	1,061.69	385,895.21	9,228.55	43,333.33	333,333.33	0.00
6/20	333,333.33	43,333.33	8,166.86	1,061.69	385,895.21	9,228.55	43,333.33	296,820.90	36,512.43
7/20	333,333.33	43,333.33	8,166.86	1,061.69	385,895.21	9,228.55	43,333.33		333,333.33
8/20	333,333.33	43,333.33	8,166.86	1,061.69	385,895.21	9,228.55	43,333.33		333,333.33
9/20	333,333.33	43,333.33	8,166.86	1,061.69	385,895.21	9,228.55	43,333.33		333,333.33
10/20	333,333.33	43,333.33	8,166.86	1,061.69	385,895.21	9,228.55	43,333.34		333,333.32
11/20	333,333.33	43,333.33	8,166.86	1,061.69	385,895.21	9,228.55	43,333.33		333,333.33
12/20	333,333.33	43,333.33	8,166.86	1,061.69	385,895.21	9,228.55	43,333.33		333,333.33
1/21	333,333.33	43,333.33	8,166.86	1,061.69	385,895.21	9,228.55	43,333.34		333,333.32
2/21	333,333.33	43,333.33	9,050.16	1,176.52	386,893.34	10,286.68	43,333.33		333,273.33
3/21	333,333.33	43,333.33	9,050.16	1,176.52	386,893.34	10,166.68	43,333.33		333,393.33
4/21	333,333.33	43,333.33	9,050.16	1,176.52	386,893.34	10,226.68	43,333.34		333,333.32
5/21	333,333.33	43,333.33	10,812.27	1,405.60	388,884.53	12,217.93	43,333.33		333,333.27
6/21	333,333.33	43,333.33	10,812.27	1,405.60	388,884.53	12,217.93	43,333.33		333,333.27
7/21	333,333.33	43,333.33	10,812.27	1,405.60	388,884.53	12,217.93	43,333.33		333,333.27
8/21	333,333.33	43,333.33	10,812.27	1,405.60	388,884.53	12,217.93	43,333.33		333,333.27
9/21	333,333.33	43,333.33	10,812.27	1,405.60	388,884.53	12,217.93	43,333.34		333,333.26
10/21	333,333.33	43,333.33	10,812.27	1,405.60	388,884.53	12,217.93	43,333.33		333,333.27
11/21	333,333.33	43,333.33	10,812.27	1,405.60	388,884.53	12,217.93	43,333.33		333,333.27
12/21	333,333.33	43,333.33	10,812.27	1,405.60	388,884.53	12,217.93	43,333.34		333,333.26
1/22	333,333.33	43,333.33	10,812.27	1,405.60	388,884.53	12,217.93			376,666.60
2/22	333,333.33	43,333.33	10,812.27	1,405.60	388,884.53	12,217.93			376,666.60
Totals	7,666,666.59	996,666.66	216,941.78	28,202.43	8,908,477.46	245,144.84	910,000.01	963,487.54	6,789,845.04

**From:** Ron Rienas

**Sent:** Monday, April 11, 2022 5:33 PM

**To:** Greg O'Hara <gohara@dutyfree.ca>; Jim Pearce <JimP@dutyfree.ca>

**Cc:** Stanek, Chris <Christopher.Stanek@gowlingwlg.com>; Karen L. Costa <klc@peacebridge.com>; Shea, Patrick <Patrick.Shea@gowlingwlg.com>

**Subject:** RE: PBA - PBDF lease

Greg,

We acknowledge receipt of a partial rent payment on April 11, 2022. It has been applied to the amount of base rent owed. As you know, rent is due *"on the first day of each month"* as stipulated by Article 4.02 of the lease.

Attached is the statement showing the total amount of rent owing as of today.

As indicated previously, PBDF has arbitrarily decided to pay 20% of gross sales as rent with no concurrence from PBA. PBDF has also determined not to remit any of the THRP funds received from the federal government to the PBA to reduce the amount of rent owing,

Lastly, I was not requesting the final 2021 audited statements back on February 24, 2022. I was asking for draft financial statements, information we are entitled to ask for and which was previously provided.

Ron Rienas

General Manager

Buffalo & Fort Erie Public Bridge Authority

100 Queen Street, Fort Erie, ON L2A 3S6 | 1 Peace Bridge Plaza, Buffalo, NY 14213

[rr@peacebridge.com](mailto:rr@peacebridge.com) T 905-994-3676 | T 716-884-8636 | F 905-871-9940 | F 716-884-2089 | C 905-651-2206



Peace Bridge Authority  
Analysis of Revenue - Canadian Duty Free

4/11/2022

	Calculated Rent					Paid			CDN
	Base	Base rent HST	CAM (Operating)	CAM HST (Operating)		CAM (Operating)	HST	Base	Outstanding April 11, 2022
1/20	-	-	-	-	-				
2/20	-	-	-	-	-				
3/20	-	-	-	-	-				
4/20	333,333.33	43,333.33	8,166.86	1,061.69	385,895.21	9,228.55	43,333.35	333,333.31	0.00
5/20	333,333.33	43,333.33	8,166.86	1,061.69	385,895.21	9,228.55	43,333.33	333,333.33	-
6/20	333,333.33	43,333.33	8,166.86	1,061.69	385,895.21	9,228.55	43,333.33	333,333.33	-
7/20	333,333.33	43,333.33	8,166.86	1,061.69	385,895.21	9,228.55	43,333.33	141,887.55	191,445.78
8/20	333,333.33	43,333.33	8,166.86	1,061.69	385,895.21	9,228.55	43,333.33		333,333.33
9/20	333,333.33	43,333.33	8,166.86	1,061.69	385,895.21	9,228.55	43,333.33		333,333.33
10/20	333,333.33	43,333.33	8,166.86	1,061.69	385,895.21	9,228.55	43,333.34		333,333.32
11/20	333,333.33	43,333.33	8,166.86	1,061.69	385,895.21	9,228.55	43,333.33		333,333.33
12/20	333,333.33	43,333.33	8,166.86	1,061.69	385,895.21	9,228.55	43,333.33		333,333.33
1/21	333,333.33	43,333.33	8,166.86	1,061.69	385,895.21	9,228.55	43,333.34		333,333.32
2/21	333,333.33	43,333.33	9,050.16	1,176.52	386,893.34	10,286.68	43,333.33		333,273.33
3/21	333,333.33	43,333.33	9,050.16	1,176.52	386,893.34	10,166.68	43,333.33		333,393.33
4/21	333,333.33	43,333.33	9,050.16	1,176.52	386,893.34	10,226.68	43,333.34		333,333.32
5/21	333,333.33	43,333.33	10,812.27	1,405.60	388,884.53	12,217.93	43,333.33		333,333.27
6/21	333,333.33	43,333.33	10,812.27	1,405.60	388,884.53	12,217.93	43,333.33		333,333.27
7/21	333,333.33	43,333.33	10,812.27	1,405.60	388,884.53	12,217.93	43,333.33		333,333.27
8/21	333,333.33	43,333.33	10,812.27	1,405.60	388,884.53	12,217.93	43,333.33		333,333.27
9/21	333,333.33	43,333.33	10,812.27	1,405.60	388,884.53	12,217.93	43,333.34		333,333.26
10/21	333,333.33	43,333.33	10,812.27	1,405.60	388,884.53	12,217.93	43,333.34		333,333.26
11/21	333,333.33	43,333.33	10,812.27	1,405.60	388,884.53	12,217.93	43,333.34		333,333.26
12/21	333,333.33	43,333.33	10,812.27	1,405.60	388,884.53	12,217.93	43,333.34		333,333.26
1/22	333,333.33	43,333.33	10,812.27	1,405.60	388,884.53	12,217.93	23,192.00		353,474.60
2/22	333,333.33	43,333.33	10,812.27	1,405.60	388,884.53	12,217.93			376,666.60
3/22	333,333.33	43,333.33	10,812.27	1,405.60	388,884.53	12,217.93			376,666.60
4/22	333,333.33	43,333.33	10,812.27	1,405.60	388,884.53	12,217.93			376,666.60
Totals	8,333,333.25	1,083,333.32	238,566.32	31,013.62	9,686,246.51	269,580.70	933,192.03	1,141,887.52	7,341,566.24

**Ron Rienas**

---

**From:** Ron Rienas  
**Sent:** Wednesday, July 6, 2022 4:10 PM  
**To:** Greg O'Hara  
**Cc:** Jim Pearce; Karen L. Costa  
**Subject:** PBA - PBDF lease  
**Attachments:** Balance due 7.6.22.xlsx

Greg,

We acknowledge receipt of a partial rent payment on July 6, 2022. It has been applied to the amount of base rent owed. As you know, rent is due *"on the first day of each month"* as stipulated by Article 4.02 of the lease.

Attached is the statement showing the balance of rent owing as of July 1, 2022

As indicated previously, PBDF has arbitrarily decided to pay 20% of gross sales as rent with no concurrence from the PBA. PBDF has also determined not to remit any of the THRP funds received from the federal government to the PBA to reduce the amount of rent owing,

Also, we are required by the federal government to remit HST on the basis of the rent stipulated in the lease, not on what PBDF arbitrarily decides to pay. Accordingly, we have paid the full amount of the HST to the government as required by law. Please remit immediately the full amount of HST due for the first and second quarters of 2022 as PBDF has previously done.

Ron Rienas  
General Manager  
Buffalo & Fort Erie Public Bridge Authority

100 Queen Street, Fort Erie, ON L2A 3S6 | 1 Peace Bridge Plaza, Buffalo, NY 14213  
[rr@peacebridge.com](mailto:rr@peacebridge.com) T 905-994-3676 | T 716-884-8636 | F 905-871-9940 | F 716-884-2089 | C 905-651-2206

Peace Bridge Authority  
Analysis of Revenue - Canadian Duty Free  
7/6/2022

	Calculated Rent					Paid			CDN Outstanding July 6, 2022
	Base	Base rent HST	CAM (Operating)	CAM HST (Operating)		CAM (Operating)	HST	Base	
1/20	-	-	-	-	-				
2/20	-	-	-	-	-				
3/20	-	-	-	-	-				
4/20	333,333.33	43,333.33	8,166.86	1,061.69	385,895.21	9,228.55	43,333.35	333,333.31	0.00
5/20	333,333.33	43,333.33	8,166.86	1,061.69	385,895.21	9,228.55	43,333.33	333,333.33	-
6/20	333,333.33	43,333.33	8,166.86	1,061.69	385,895.21	9,228.55	43,333.33	333,333.33	-
7/20	333,333.33	43,333.33	8,166.86	1,061.69	385,895.21	9,228.55	43,333.33	333,333.33	-
8/20	333,333.33	43,333.33	8,166.86	1,061.69	385,895.21	9,228.55	43,333.33	333,333.33	-
9/20	333,333.33	43,333.33	8,166.86	1,061.69	385,895.21	9,228.55	43,333.33	1,517.00	331,816.33
10/20	333,333.33	43,333.33	8,166.86	1,061.69	385,895.21	9,228.55	43,333.34		333,333.32
11/20	333,333.33	43,333.33	8,166.86	1,061.69	385,895.21	9,228.55	43,333.33		333,333.33
12/20	333,333.33	43,333.33	8,166.86	1,061.69	385,895.21	9,228.55	43,333.33		333,333.33
1/21	333,333.33	43,333.33	8,166.86	1,061.69	385,895.21	9,228.55	43,333.34		333,333.32
2/21	333,333.33	43,333.33	9,050.16	1,176.52	386,893.34	10,286.68	43,333.33		333,273.33
3/21	333,333.33	43,333.33	9,050.16	1,176.52	386,893.34	10,166.68	43,333.33		333,393.33
4/21	333,333.33	43,333.33	9,050.16	1,176.52	386,893.34	10,226.68	43,333.34		333,333.32
5/21	333,333.33	43,333.33	10,812.27	1,405.60	388,884.53	12,217.93	43,333.33		333,333.27
6/21	333,333.33	43,333.33	10,812.27	1,405.60	388,884.53	12,217.93	43,333.33		333,333.27
7/21	333,333.33	43,333.33	10,812.27	1,405.60	388,884.53	12,217.93	43,333.33		333,333.27
8/21	333,333.33	43,333.33	10,812.27	1,405.60	388,884.53	12,217.93	43,333.33		333,333.27
9/21	333,333.33	43,333.33	10,812.27	1,405.60	388,884.53	12,217.93	43,333.34		333,333.26
10/21	333,333.33	43,333.33	10,812.27	1,405.60	388,884.53	12,217.93	43,333.33		333,333.27
11/21	333,333.33	43,333.33	10,812.27	1,405.60	388,884.53	12,217.93	43,333.33		333,333.27
12/21	333,333.33	43,333.33	10,812.27	1,405.60	388,884.53	12,217.93	43,333.34		333,333.26
1/22	333,333.33	43,333.33	10,812.27	1,405.60	388,884.53	12,217.93	32,241.57		344,425.03
2/22	333,333.33	43,333.33	10,812.27	1,405.60	388,884.53	12,217.93			376,666.60
3/22	333,333.33	43,333.33	10,812.27	1,405.60	388,884.53	12,217.93			376,666.60
4/22	333,333.33	43,333.33	10,812.27	1,405.60	388,884.53	12,217.93	67,184.00		309,482.60
5/22	333,333.33	43,333.33	10,774.92	1,400.74	388,842.32	12,175.66			376,666.66
6/22	333,333.33	43,333.33	10,774.92	1,400.74	388,842.32	12,175.66			376,666.66
7/22	333,333.33	43,333.33	10,774.92	1,400.74	388,842.32	12,175.66			376,666.66
Totals	9,333,333.24	1,213,333.32	270,891.08	35,215.84	10,852,773.48	306,107.68	1,009,425.58	1,668,183.63	<b>7,869,056.56</b>

TAB 9

26 July 2022

**Sent by E-Mail ([dullmann@blaney.com](mailto:dullmann@blaney.com))**

**E. Patrick Shea, LSM, CS Prof Corp**  
Direct 416-369-7399  
[patrick.shea@gowlingwlg.com](mailto:patrick.shea@gowlingwlg.com)

**David T. Ullmann**  
Blaney McMurtry LLP  
2 Queen Street East, Suite 1500  
Toronto, ON M5C 3G5

**Sent by E-Mail ([lwilliams@tgf.ca](mailto:lwilliams@tgf.ca))**

**Leanne M. Williams**  
Thornton Grout Finnigan LLP  
Suite 3200, 100 Wellington Street West  
P. O. Box 329, Toronto-Dominion Centre  
Toronto, ON M5K 1K7

Dear Mr. Ullmann and Ms. Williams:

**Re: Peace Bridge Duty Free Inc. ("PBDF")—Non-payment of Rent**

Our client has advised that PBDF not paying rent as required by the lease between the parties and has made no proposal as to how it plans to pay the outstanding rent owing to our client. As at 6 July 2022, PBDF owes almost \$8 million in rent.

There is no arrangement in place as between our clients that permit PBDF to pay rent otherwise than as required by the applicable lease. Our client has offered to forgive 50% of the outstanding rent that accrued during the COVID-related shut-down, provided that: (a) there is a plan in place that acceptable to our client for the payment of the other 50%; and (b) the post-COVID shut-down rent is paid in full as required by the applicable lease. PBDF has not proposed a plan to pay the rent that is owing and has apparently arbitrarily determined that it will pay on-going rent in an amount equal to only 20% of its monthly gross sales notwithstanding the terms of the applicable lease.

Paragraph 11 of the Order dated 14 December 2021 prohibits the termination of agreements, including the lease between PBDF and our client, so long as rent subsequent to 14 December 2021 is paid in accordance with the applicable lease or as may be agreed by our client. It is our client's intention to terminate the lease based on the failure of PBDF to pay rent subsequent to 14 December 2021 as required by the lease.

We are asking that the Monitor provide its position as to whether, in light of the failure of PBDF to pay rent as required by the applicable lease and paragraph 11 of the 14 December 2021 Order,

consent of the Monitor or leave of the Court is required for our client to terminate the lease. If the Monitor believes that consent or leave is required, we ask that the Monitor please consent to the termination of the lease. If the Monitor requires that our client obtain an Order permitting it to terminate the lease, we ask that the Monitor co-operate in scheduling an expedited hearing of our client's Motion. The ongoing failure of PBDF to pay rent is causing serious harm to our client, which has been extremely patient in waiting for PBDF to propose a plan to deal with the outstanding rent.

Sincerely,

**GOWLING WLG (CANADA) LLP**



E. Patrick Shea, MStJ, LSM, CS

EPS:jm

cc. Sanjeev Mitra, Aird & Berlis LLP ([smitra@airdberlis.com](mailto:smitra@airdberlis.com))

52504549\1

TAB 10



2 August 2022

E. Patrick Shea, LSM, CS Prof Corp  
Direct 416-369-7399  
[patrick.shea@gowlingwlg.com](mailto:patrick.shea@gowlingwlg.com)

Sent by E-Mail ([dullmann@blaney.com](mailto:dullmann@blaney.com))

**David T. Ullmann**  
Blaney McMurtry LLP  
2 Queen Street East, Suite 1500  
Toronto, Ontario M5C 3G5

Dear Mr. Ullmann:

**Re: Peace Bridge Duty Free Inc. ("PBDF")—Proposal to Pay Outstanding Rent and Payment of Going-forward Rent**

---

Our client has yet to see a detailed proposal with respect to the payment of the rent arrears that accumulated during the period PBDF chose to be closed during the COVID pandemic.

We wish to ensure that PBDF is aware that our client's offer to provide an abatement equal to 50% of the unpaid rent that accumulated during PBDF's COVID-related shutdown remains on the table, conditional on there being an arrangement in place acceptable to our client concerning payment of the remaining 50%. We wish to be clear that our client is not prepared to grant an abatement of more than 50% and is not required to justify that business decision to PBDF.

Should your client wish to present a proposal for the payment of the remaining 50% of the unpaid rent that accumulated during PBDF's COVID-related shutdown, we require that it do so within 15 business days. Any such proposal must provide for regular monthly payments against the arrears over a maximum of 24 months and must include either a third-party guarantee from a solvent guarantor or security. Detailed going-forward financial modelling for the business and specifics with respect to any security or guarantee, including proof of the guarantor's solvency, must be included with any proposal. We wish to make it clear that our client is not interested in mediation or other ADR unless there is first a complete and workable proposal on the table from PBDF and is not required to justify that business decision to PBDF.

In terms of on-going rent, we wish to be clear that there is no arrangement in place to permit PBDF to pay rent other than as provided for by the applicable lease and our client has not agreed to PBDF paying any amount (or at any time) other than what is provided for in the applicable lease. Rent owing for the period subsequent to the mandatory COVID-related shutdown must be paid in full within 10 business days of this letter and all future rent must be paid, in full, on the first day of the month as required by the applicable lease.



Finally, we require that PBDF provide evidence that it has paid over to our client any government rent subsidies or other rent-related benefits that it received during the COVID pandemic.

Sincerely,

**GOWLING WLG (CANADA) LLP**



E. Patrick Shea, LSM, CS

EPS:jm

cc. Client ([rr@peacebridge.com](mailto:rr@peacebridge.com))

ROYAL BANK OF CANADA  
Applicant

-and-

PEACE BRIDGE DUTY FREE INC.  
Respondent

1352

Court File No. CV-21-00673084-00CL

**ONTARIO**  
**SUPERIOR COURT OF JUSTICE**  
  
PROCEEDING COMMENCED AT  
TORONTO

**BRIEF OF EXHIBITS**

**GOWLING WLG (CANADA) LLP**

Barristers & Solicitors  
1 First Canadian Place  
100 King Street West, Suite 1600  
Toronto ON M5X 1G5

**Christopher Stanek (LSUC# 45127K)**

Tel: 416-862-4369

Fax: 416-862-7661

**E. Patrick Shea (LSUC# 39655K)**

Tel: 416-369-7399

Fax: 416-862-7661

Lawyers for Buffalo and Fort Erie Public Bridge Authority

**ROYAL BANK OF CANADA**

Applicant

-and-

**PEACE BRIDGE DUTY FREE INC.**

Respondent

Court File No. CV-21-00673084-00CL

**ONTARIO  
SUPERIOR COURT OF JUSTICE**PROCEEDING COMMENCED AT  
TORONTO**AFFIDAVIT OF RON RIENAS**  
(SWORN 7 SEPTEMBER 2022)**GOWLING WLG (CANADA) LLP**

Barristers &amp; Solicitors

1 First Canadian Place

100 King Street West, Suite 1600

Toronto ON M5X 1G5

**Christopher Stanek** (LSUC# 45127K)

Tel: 416-862-4369

Fax: 416-862-7661

**E. Patrick Shea** (LSUC# 39655K)

Tel: 416-369-7399

Fax: 416-862-7661

Lawyers for Buffalo and Fort Erie Public Bridge Authority

# TAB 14

Court File No. CV-21-00673084-00CL

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

**B E T W E E N:**

**ROYAL BANK OF CANADA**

Applicant

- and -

**PEACE BRIDGE DUTY FREE INC.**

Respondent

**AFFIDAVIT OF JIM PEARCE**

I, **Jim Pearce**, of the Town of Fort Erie, in the Province of Ontario, **AFFIRM AND SAY THAT:**

1. I am the general manager as well as an officer holding the position of Secretary/Treasurer of Peace Bridge Duty Free Inc. ("**Duty Free**"). As such, I have personal knowledge of the matters to which I hereinafter depose. Where I do not have personal knowledge of the matters set out herein, I have stated the source of my information and belief, and, in all such cases, believe it to be true.
2. I have reviewed my affidavit sworn December 12<sup>th</sup>, 2021, and I affirm it to be true.
3. Capitalized terms not defined in this affidavit have the same meaning as in the notice of cross-motion and in the Lease ("Lease" is as defined in the notice of cross-motion and my affidavit sworn December 12<sup>th</sup>, 2021).

4. I make this affidavit to provide the court with evidence of events impacting this tenancy since my December 12<sup>th</sup>, 2021 affidavit; in response to the Authority's motion seeking to lift the existing stay of proceedings to allow it to terminate the Lease; and in support of Duty Free's cross-motion to stay the Authority's motion seeking to lift the existing stay of proceedings to allow it to terminate the Lease, until the Base Rent issue is determined; and in support of Duty Free's request for a determination of what, if any, Base Rent is owing under the Lease from March 2020, along with related relief set out in the notice of cross-motion.

**Duty Free's position**

5. Duty Free has operated a duty-free shop at the Leased Premises since 1986. It has paid approximately \$84 million in base rent to the Authority during that time up to March 2020. Since the current Lease came into force on November 1<sup>st</sup>, 2016, until the onset of Covid-19, Duty Free paid the Authority approximately \$13.6 million in Base Rent.

6. Prior to the Covid-19 emergency shutdown, Duty Free owed no monies to the Authority and during its time in business has been a faithful and dependable tenant.

7. On January 14, 2022, Duty Free's lawyers, Blaney McMurtry LLP, wrote to the Authority's lawyers setting out issues between the parties at that time and Duty Free's position. At that time, Ontario was largely shut down due to the spread of the Omicron variant and the Federal government (with a 50% stake in the Authority) had specifically requested that Canadians not travel internationally. At that time, Duty Free's Gross Sales since opening in September 2021, were approximately 35% of pre-closure sales. Duty Free was paying (and continues to pay) Additional Rent plus the greater of (a) monthly basic rent in the sum of 20% of the Tenant's actual Gross Sales and (b) any government rental assistance received ("**Normal Rent**").

8. The Normal Rent paid by Duty Free has been accepted and deposited by the Authority throughout the emergency Border Restriction.

9. Duty Free believes that during the emergency Border Restrictions period, and until the Canadian side Peace Bridge border traffic returns to pre-Covid-19 levels that 20% of Duty Free's Gross Sales is a fair and reasonable basic rent because 20% of the Duty Free's Gross Sales is the basis upon which minimum Base Rent is calculated in subsection 3.04 of the Lease.

Attached hereto and marked as **Exhibit "A"** is a true copy of the letter from Blaney McMurtry LLP to Gowling WLG dated January 14<sup>th</sup>, 2022 and subsequent emails between counsel

#### **Border Restrictions**

10. Duty Free's retail store business was crippled by U.S.-Canada emergency border restriction legislation and related regulations and requirements as a result of the Covid-19 pandemic that have restricted and impacted the Peace Bridge border crossing ("**Border Restrictions**").

11. Duty Free's retail store closed March 21<sup>st</sup>, 2020 in response to government emergency mandated closures due to Covid-19, including Border Restrictions and public health regulations, and remained closed for retail sales until it reopened on September 19<sup>th</sup>, 2021 in anticipation of Canadian side travel becoming lawful for non-essential travellers ("**Closure Period**").

12. The U.S. government opened its land border with Canada for non-essential travellers on November 9<sup>th</sup>, 2021. Even then, there were significant restrictions imposed by both the U.S. and Canadian governments, including testing, vaccine mandates, quarantine periods and mandatory use of the ArriveCAN app.

13. A non-exclusive summary of the Border Restrictions is as follows:

- a) March 17<sup>th</sup>, 2020: Ontario **declares state of emergency** under the *Emergency Management and Civil Protection Act*;
- b) March 21<sup>st</sup>, 2020: Agreement to **close U.S.-Canada border** to non-essential travel border **for 30 days**;
- c) April 15<sup>th</sup>, 2020: Enhanced Federal border measures and quarantine plan and **14-day quarantine requirement**;
- d) April 22<sup>nd</sup>, 2020: **Extension of restriction on non-essential travel** between Canada-US border **until May 21<sup>st</sup>, 2020**;
- e) May 22<sup>nd</sup>, 2020: Canada-U.S. **border closure** to all but essential workers **extended to June 21<sup>st</sup>, 2020**;
- f) May 27<sup>th</sup>, 2020: Ontario government **extends all emergency orders** in force under s.7.0.2 (4) of the *Emergency Management and Civil Protection Act* **until June 9<sup>th</sup>, 2020**;
- g) June 16<sup>th</sup>, 2020: U.S.-Canada **border closure** to all but essential workers **extended until July 21<sup>st</sup>, 2020** for non-essential travel;
- h) June 24<sup>th</sup>, 2020: Ontario government **extends all emergency orders** in force under s.7.0.2 (4) of the *Emergency Management and Civil Protection Act* **until July 15<sup>th</sup>, 2020**;
- i) July 2020: **ArriveCAN app** was **introduced** for all border crossing into Canada;
- j) July 9<sup>th</sup>, 2020: Ontario government **extends all emergency orders** in force under s.7.0.2 (4) of the *Emergency Management and Civil Protection Act* **until July 22<sup>nd</sup>, 2020**;
- k) July 26<sup>th</sup>, 2020: U.S.-Canada **border closure** for non-essential travel **extended until August 20<sup>th</sup>, 2020**;
- l) August 14<sup>th</sup>, 2020: U.S.-Canada **border closure** for non-essential travel **extended until September 21, 2020**;
- m) August 14<sup>th</sup>, 2020: Ontario **extends emergency orders** in force under s.7.0.2 (4) of the *Emergency Management and Civil Protection Act* **until September 22<sup>nd</sup>, 2022**;
- n) September 18<sup>th</sup>, 2020: U.S.-Canada **border closure** for non-essential travel **extended until October 21<sup>st</sup>, 2020**;



- o) October 19<sup>th</sup>, 2020: U.S.-Canada **border closure** to non-essential travel **extended to November 21<sup>st</sup>, 2020<sup>1</sup>**;
- p) November 2<sup>nd</sup>, 2020: Program launched to allow international **travellers to Canada to leave quarantine provided they test negative upon arrival and retest 6 to 7 days after.**
- q) February 2021: Land travellers entering Canada required to **provide negative COVID test result from the US within 3 days/positive result within 14 & 90 days prior to arrival.**
- r) April 21<sup>st</sup>, 2021: US-Canada **border closure** to non-essential travel **extended until May 21<sup>st</sup>, 2021**;
- s) June 21<sup>st</sup>, 2021: Temporary **travel restrictions to Canada for all U.S. travellers extended**, unless their travel is for non-discretionary reasons.
- t) August 9<sup>th</sup>, 2021: **Canada permitted entry for fully vaccinated U.S. travellers. PCR test required. U.S. border remains closed**;
- u) September 7<sup>th</sup>, 2021 - **Fully vaccinated foreign nationals eligible to enter Canada for non-essential reasons**;
- v) October 30<sup>th</sup>, 2021: Travellers in Canada were required to be fully vaccinated in order to board planes, trains and non-essential passenger vessels. **Negative molecular tests within 72 were accepted as alternatives until November 29<sup>th</sup>, 2021.**
- w) November 30<sup>th</sup>, 2021: **All travellers to Canada must be fully vaccinated and have a negative COVID-19 molecular test results within 72 hours**;
- x) November 8<sup>th</sup>, 2021: **U.S. lifted restrictions at its land borders to permit travel for fully vaccinated travellers and a negative PCR tests within 72 hours**;
- y) December 2<sup>nd</sup>, 2021: Canadian announced that **Canadians travelling abroad for less than 72 hours will not have to show negative PCR COVID-19 test when re-entering Canada**;
- z) December 21<sup>st</sup>, 2021: **Reinstated the requirement for a pre-arrival negative PCR test for all travellers arriving in Canada from a trip of any duration**;
- aa) January 15<sup>th</sup>, 2022: Announced groups who were exempt from entry requirements will only be allowed to enter Canada if they are fully vaccinated; unvaccinated or

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<sup>1</sup> US-Canada border closure to non-essential travel continued to be extended until September 7<sup>th</sup> in Canada and November 8<sup>th</sup>, 2021 in the U.S., subject to travellers being fully vaccinated.

partially vaccinated foreign national truck drivers, coming from the U.S. by land, will not be allowed entry;

- bb) January 22<sup>nd</sup>, 2022: **U.S. allowed** non-U.S. **individuals** traveling via land ports or entry at US-Canada borders to be **fully vaccinated and to show proof of vaccination** for essential and non-essential reasons;
- cc) February 28<sup>th</sup>, 2022: **Fully vaccinated travellers arriving from any country to Canada would be randomly selected for arrival testing and accepting either a negative rapid antigen or PCR test from travellers as well as ArriveCAN;**
- dd) April 1<sup>st</sup>, 2022: Fully vaccinated travellers no longer required to provide a pre-entry COVID-19 test result to enter Canada by air, land or water, but **ArriveCAN required;**
- ee) April 25<sup>th</sup>, 2022: Border measures eased - **rapid testing no longer required, but ArriveCAN and double vaccination still required;**
- ff) October 1<sup>st</sup>, 2022: **Canadian Covid-19 border measures ended** including all requirements including vaccination and mandatory use of ArriveCAN.

**Authority's obligation to reasonably consult on the impact to Lease**

14. The Authority is a statutory entity created by New York State legislation and the Government of Canada legislation pursuant to [\*An Act Respecting the Buffalo and Fort Erie Public Bridge Company, SC 1934, c 63\*](#). It is governed by a 10-member Board of Directors consisting of five members from New York State and five members from Canada of which each five person slate of directors is appointed by the respective American and Canadian stakeholder governments.

Attached hereto and marked as **Exhibit "B"** is a true copy of the printout of the Authority's website

15. Upon termination of the rights, powers and jurisdiction of the Authority under the applicable Canadian/New York legislation, the property acquired or held by it within Canada reverts to and becomes the property of His Majesty in right of Canada, and the property within New York State becomes under the jurisdiction as the New York State legislature may designate. As such the Federal government is the beneficial owner of the Leased Premises.

16. As a result, the Authority essentially holds and administers the Peace Bridge and related property and assets on behalf of the beneficial owners, the Canadian and New York State governments

17. As noted in paragraphs 20-22 of my December 12<sup>th</sup>, 2021 affidavit, pursuant to subsection 18.07 of the Lease, the Authority covenanted to consult with Duty Free about the impact of introductions of or changes to Applicable Laws (including laws enacted by the Authority's stakeholders the Canadian and New York State governments) would have on the Lease:

**18.07 Regulatory Changes**

**In the event an unanticipated introduction of or a change in any Applicable Laws causes a material adverse effect (sic) on the business operations of the Tenant at the Leased Premises, the Landlord agrees to consult with the Tenant to discuss the impact of such introduction of or change in Applicable Laws to the Lease. [emphasis added]**

18. Notwithstanding the:

- a. introduction and changes in Applicable Laws enacted by the Authority's stakeholders from time to time that caused material Averse Effects to Duty Free's business and that have been ongoing throughout the Covid-19 pandemic, including the Border Restrictions;
- b. acknowledgement by the Authority in the rent deferral agreements that "...travel restrictions and economic hardship created...by the Covid 19 pandemic..." resulted in the need for rent deferral;
- c. Acknowledgment of the economic hardship caused by Covid by the suspension of re-payment of rent arrears for the American side duty-free store;

- d. acknowledgment by the Authority in its motion record that in respect of Base Rent arrears "...there a dispute as to how much is owing..."; and
- e. letter from the Authority's counsel at Tab 10 of the Exhibits to Ron Rienas' Affidavit in the Authority's motion record that it would conditionally accept 50% of Base Rent during Duty Free's Covid-19 related closure period;

the Authority appears to take the position in the affidavit of Ron Rienas that full Base Rent under the Lease is payable from July 31<sup>st</sup>, 2020 onward.

19. Effectively, and inconsistent with the matters noted at a. to e. above, the Authority is asserting the Border Restrictions had no impact on the Lease whatsoever beyond July 31<sup>st</sup>, 2020 (when the first rent deferral agreement expired).

20. The Authority now seeks to terminate the Lease relying upon Base Rent from December 14<sup>th</sup>, 2021 onward, ignoring the Authority's covenant in subsection 18.07 of the Lease.

21. The Landlord, in addition to its duties of good faith and honest performance, has a contractual obligation pursuant to subsection 2.15 of the Lease to act reasonably in exercising any discretion in respect of how the Applicable Laws impact the Lease:

### **2.15 Reasonableness**

Except as may be otherwise specifically provided in this Lease, **whenever the Landlord or the Tenant is required to use its discretion** or to consent or approve any matter under this Lease, **the Landlord and the Tenant agree that such discretion shall be reasonably exercised and that such approval or consent will not be unreasonably or arbitrarily withheld or delayed. (emphasis added)**

22. The Canadian and New York State governments are equal stakeholders in the Authority, and are also responsible for the many of the Applicable Laws, including Border Restrictions, that

caused material Averse Effects to Duty Free's business. They also stand to appropriate over \$6 million of improvements to the Leased Premises, and the good will created by Duty Free. In this regard, Duty Free has been nominated for many domestic and international awards as a duty-free store.

23. The Authority as the owner of the Peace Bridge and related assets appears to me to be an "agent having jurisdiction" as that term is provided for in the Lease, and therefore, is a "Government Authority" as defined in paragraph 2.01(t) of the Lease:

**"Governmental Authorities" means all applicable federal, provincial and municipal agencies, boards, tribunals, ministries, departments, inspectors, officials, employees, servants or agents having jurisdiction and "Government Authority" means any one of them. (emphasis added)**

24. The emergency Border Restrictions were in large part enacted by Canadian and U.S. governments, and by association the Authority as a Governmental Authority.

25. When the border was closed to non-essential travellers, the essential workers who were crossing the Canadian side of the border were daily crossers and did not have any duty-free allowance.

26. Duty Free is required by subsection 9.04 the Lease to comply with all Applicable Laws and keep its Licence in good standing, which it has always done.

27. Duty Free's expectation was and continues to be that the Authority would take into consideration the fact that its emergency Border Restrictions eliminated Duty Free's ability to operate the Permitted Use at the Leased Premises and to generate any retail sales for almost two years, when considering the impact on the Lease, and the appropriate adjustment to Base Rent.

**Authority initially recognized the need to amend the Rent payable under the Lease due to Border Restrictions**

28. As set out in paragraphs 23 to 32 of my December 12<sup>th</sup>, 2021 affidavit, the Authority recognized the need to amend the Base Rent payable under the Lease due to the impact of the emergency Border Restrictions on Duty Free's business. The parties entered into the April 27<sup>th</sup>, 2020 rent deferral agreement based on the anticipated impact of the emergency Border Restrictions at that time (see Exhibit "B" of my December 12<sup>th</sup>, 2021 affidavit). In that agreement, the Authority acknowledged the obvious, that the reason for the deferral being "...travel restrictions and economic hardships created...by the Covid19 pandemic...".

29. Duty Free and the Authority entered into a second rent deferral agreement dated November 20<sup>th</sup>, 2020, although the Authority now disputes the enforceability of the second rent deferral agreement, notwithstanding the second agreement also noted the existence of ongoing "...travel restrictions and economic hardships created...by the Covid 19 pandemic..." (see Exhibit "C" of my December 12<sup>th</sup>, 2021 affidavit).

30. While the Authority now seeks to impose an obligation on Duty Free to pay full Base Rent while it was unable to open due to the emergency Border Restriction, the Authority did agree on terms of the second rent deferral agreement, prepare the agreement for execution at the expense of Duty Free, accept Duty Free's executed version of the agreement and thereafter at all material times during the term of that agreement conducted itself as though the second deferral agreement was in force.

31. However, beginning in spring 2021, and accelerating through fall 2021, the Authority made financial demands that it knew Duty Free could not fulfill by reason of the lack of any sales at its duty-free shop because it was closed due to the emergency Border Restrictions.

32. In light of the impossibility of paying Base Rent due to the Border Restrictions, Duty Free made several requests to meet with the Authority address the Duty Free's situation, which I understand to be an obligation of the Authority under subsection 18.07 of the Lease. In doing so, Duty Free notified the Authority of its contractual obligation. The Authority has incomprehensibly steadfastly refused to meet with Duty Free other than once briefly in May 2021, when the Authority flatly refused to discuss or provide any assistance despite the fact Duty Free's business was still closed as a result of the Border Restrictions, and the U.S.-Canada border remained closed to non-essential travelers.

**Inadequacy of Government Authority rental assistance programs**

33. In responding to Covid-19 emergency, Government Authorities properly prioritized public health over the interest of commercial businesses and imposed significant personal restrictions, including the emergency Border Restrictions, to the detriment of private businesses.

34. Governmental Authorities sought to ameliorate the impact of its emergency restrictions through a variety of Governmental Authority programs including commercial rent subsidy programs. Unfortunately, the rent subsidy programs, prepared in a rush to respond to the emergency, resulted in programs through which Duty Free fell through the cracks of the intended benefit of subsidizing commercial rent while restrictions impacted businesses.

35. The Authority was unfortunately not eligible to receive the benefit of CECRA.

36. Inexplicably, the Authority subsequently refused to follow the Treasury Board of Canada's directive to all Federal landlords not eligible for the CECRA program to notwithstanding their ineligibility to provide rent reduction in alignment with CECRA, which would have resulted in the waiver 75% of Base Rent during the program.

37. Despite being among the hardest hit businesses by Covid-19 and associated restrictions, the rental assistance rolled out by Government Authorities completely failed to provide any meaningful measure of assistance to the duty-free industry in general, and specifically to Duty Free. The rental assistance programs available to Duty Free as a percentage of full contract rent was a small fraction of that available to other commercial businesses.

38. For example, the CERS program was intended to provide an emergency monthly rent subsidy of up to 90% of commercial rent payable for the hardest hit businesses, like Duty Free, that were shut down by mandatory emergency public health orders.

39. The CERS legislation was intended to provide emergency commercial rent support to businesses to “get through” the public health emergency and to “cover costs” so all businesses would be positioned for a strong recovery when the pandemic’s emergency restrictions ended.

40. However, unfortunately because the CERS eligible monthly rent expenses per location was limited to \$75,000/month, the program is entirely inadequate to address the unique circumstances of land border duty free stores, and in particular Duty Free, which ordinarily had a Base Rent obligation of \$333,333/month.

41. Duty Free’s ordinary high monthly Base Rent obligation reflects the Authority as a Government Authority extracting a significant portion of the financial benefit arising from the right granted by Government Authorities to sell duty free goods to travelers crossing the border. In other words the government gives “duty-free” benefits to travellers on the one hand and extracts extraordinarily high rent on the other hand.



42. The monthly CERS subsidy received by Duty Free amounted to only approximately 15% of monthly Base Rent under the Lease, despite Duty Free being impacted by Covid-19 more than other businesses that were receiving CERS payments equal to 90% of their commercial rent.

Attached hereto and marked as **Exhibit “C”** is a Department of Finance Canada’s news release regarding CERS dated October 9<sup>th</sup>, 2020

43. Duty Free has applied for every government program in respect of commercial rent assistance available to it (CERS and the Tourism and Hospitality Recovery Program) for the benefit of the Authority, and has paid all sums received (and more when 20% of monthly Gross Sales exceeded the government rent assistance payment).

44. In response to paragraph 39 of Ron Rienas’ September 7<sup>th</sup>, 2022 affidavit, Duty Free has provided all required documentation to the Authority to enable it to confirm that all rental assistance received from CERS and the Tourism and Hospitality Recovery Program in respect of the tenancy has been paid.

Attached hereto and marked as **Exhibit “D”** is a summary of government rent assistance received by Peace Bridge and payments to the Authority.

45. While the other retail businesses were coming out of the Covid-19 pandemic beginning in 2021, Duty Free’s retail business continued to be (and remains) severely impacted due to ongoing Border Restrictions, including vaccine requirements, quarantine rules, the ArriveCan app requirement, and lack of cross-border traffic (the U.S. conditionally opened its border to non-essential travelers on November 8<sup>th</sup>, 2021), particularly motor coach traffic and pleasure travelers.

**Duty Free acted in good faith and to the benefit of the Authority**

46. When the retail store was ordered closed, the Authority opened Duty Free’s washroom facilities beginning in May 2020. Despite paragraph 2.01(ff) the Lease that limits the Permitted

Use of the Lease Premises to the “operation of a duty-free shop and related services”, the Authority pivoted and demanded Duty Free operate restroom facilities for truckers and essential workers at its expense beginning November 30<sup>th</sup>, 2020, notwithstanding there was a major travel/truck stop four kilometers up the highway. The Authority served a notice of an alleged non-monetary default threatening Lease termination.

Attached hereto and marked as **Exhibit “E”** is the notice of alleged default dated November 27<sup>th</sup>, 2020

47. Duty Free, despite being closed for business, complied and maintained staff to operate a public restroom with janitorial service for the benefit of the Authority and its stakeholders to keep the Peace Bridge operational for essential workers, despite the Authority and its stakeholders’ Border Restrictions completely preventing Duty Free from generating any income to pay Rent.

48. In addition, while the retail store was closed, at the request of the Authority, Duty Free gratuitously provided customs document processing services for truckers to facilitate border operations for the Authority and its stakeholders.

49. Duty Free could not generate any income during the Closure Period and it could not (by law) pivot to online sales, do curbside pickup or make any domestic sales whatsoever, as other retail businesses could, during the pandemic. Land border duty-free stores are licensed by the Canadian Border Services Agency, are highly regulated, and have no alternative business model to switch to, even temporarily.

50. Since the onset of the Covid-19 emergency Border Restriction there have been no payments made to Duty Free’s shareholders.

51. Greg O'Hara, President, the only shareholder of Duty Free that receives a salary, has deferred his annual salary of \$60,000 per annum to date in its entirety.

**Duty Free's payment of rent**

52. Throughout the Covid-19 pandemic, Duty Free has paid all Additional Rent to the Authority, in the sum of approximately \$10,800 per month, including during the Closure Period.

53. Base Rent payable under the Lease is by a formula predicated upon twenty percent (20%) of Duty Free's Gross Sales, being the minimum gross sales anticipated at the time of entering into the Lease, together with a minimum rent of \$4 million per annum paid monthly (subject to a calculation set out in subsection 4.03 of the Lease).

54. Since reopening its retail store, Duty Free has in good faith paid to the Authority Additional Rent and the greater of all Covid-related rent assistance it was eligible for and received or 20% of its monthly Gross Sales ("**Normal Rent**"). In addition, at the demand of the Authority in or about July 2022, Duty Free has paid HST on 100% of Base Rent, \$43,000 per month from April 2020, resulting in an HST overpayment, and Duty Free continues to pay HST on 100% of Base Rent at the Authority's request.

Attached hereto and marked as **Exhibit "F"** is a summary of the HST remittance reconciliation for from April 2020 to June 2022.

55. The Authority has accepted all payments from Duty Free, including Normal Rent.

56. Duty Free had been paying the 20% of Gross Sales on or around the tenth day of each month after completing its accounting of Gross Sales for each month, which it delivered to the Authority in accordance with subsection 5.01 of the Lease. In response to a request from the

Authority, made by way of alleging a default of the Lease, Duty Free adjusted its accounting practices to calculate its monthly Gross Sales on the last day of each month on a rush basis, so it could accelerate payment of its installments of Normal Rent to the Authority on the first day of each month.

57. Duty Free's Normal Rent payments have increased as Gross Sales have increased from close to 0% to about 50% of pre-Covid sales by summer 2022, and are currently 60% to 65% of pre-Covid-19 sales.

**The Authority's bad faith conduct intended to unnecessarily cause receivership proceeding**

58. I am advised by Barbara Barrett, Executive Director of the Frontier Duty Free Association ("FDFA"), that of the previously 33, now 32, land border duty free shops in Canada, Duty Free was the only one whose landlord demanded immediate payment of full contract rent and threatened eviction for non-payment of rent during the non-enforcement period under Part IV of the *Commercial Tenancies Act*, that ran to April 22<sup>nd</sup>, 2022, commonly referred to as the eviction moratorium.

59. As noted in paragraph 26 of my December 12<sup>th</sup>, 2021 affidavit, the Authority issued two default notices under the Lease on September 8<sup>th</sup>, 2021, threatening termination of the Lease. These notices of default were promptly and duly reported by Duty Free to its bank, RBC.

60. As a result of the Authority's default notices, on September 23<sup>rd</sup>, 2021, RBC made demand and sent a Notice of Intention to Enforce Security as noted in paragraph 61 of my December 12<sup>th</sup>, 2021 affidavit.

61. I note that paragraph 27 of Ron Rienas' September 7<sup>th</sup>, 2022 affidavit states that from July 31<sup>st</sup>, 2020 onward, the Authority was aware of and operating within the context of the eviction moratorium. As such, the Authority was aware it would be unlawful to terminate the Lease when it elected to wrongfully threaten eviction for non-payment of rent, both on September 8<sup>th</sup>, 2021 and November 21<sup>st</sup>, 2021, as noted below.

62. Despite the Authority's knowledge of the eviction moratorium making it unlawful to terminate the Lease, the acknowledgment by the Authority's lawyer of the eviction moratorium (September 17<sup>th</sup>, 2021 letter at Exhibit "E" of my December 12<sup>th</sup>, 2021 affidavit), the Authority's counsel advised RBC's lawyer that the Authority intended to exercise its remedies under the default provisions of the Lease (ie. terminate the Lease anyway) during the non-enforcement period, without regard to the eviction moratorium.

Attached hereto and marked as **Exhibit "G"** is a copy of Chris Stanek's November 21<sup>st</sup>, 2021 email that is also referred to in paragraph 65 of my December 12<sup>th</sup>, 2021 affidavit

63. The Authority's actions directly led to this receivership application and in due course RBC demanding increased security from Duty Free. As a result of the receivership application, Duty Free has granted RBC additional security in the form of \$850,000 collateral cash, and has also duly maintained the thresholds set out in the Appointment Order as amended (defined below).

64. In response to paragraph 38 of Ron Rienas' affidavit alleging Duty Free has not provided financial information in accordance with Article V of the Lease, Article V of the Lease requires Duty Free to furnish two things to the Authority: monthly statements of Gross Sales by the tenth day of each month (subsection 5.01), which Duty Free has done; and annual statements within 45 days (subsection 5.02) – Duty Free has delivered its 2021 audited financial statements to the

Authority. Article V of the Lease does not impose any additional contractual obligation on Duty Free to furnish or deliver any other financial information to the Authority.

65. While Duty Free may have provided additional financial information to the Authority in the past as a courtesy, Duty Free is not prepared to extend that courtesy in the context of the current proceedings that were initiated because of the Authority's wrongful conduct and the Authority's threats of Lease termination.

**Duty Free has paid Normal Rent in accordance with the status quo since the Appointment Order and is in compliance with the Appointment Order**

66. At the time of Justice Pattillo's December 14<sup>th</sup>, 2021 Order (as amended by Justice Penny's March 23<sup>rd</sup>, 2022 Order) appointing the monitor ("**Appointment Order**"), Duty Free had paid to the Authority as basic rent the greater of 20% of its Gross Sales (as provided for by section 4.03 of the Lease) and any emergency rent assistance received from the government (CERS and the Tourism and Hospitality Recovery Program). The greater of 20% of the Tenant's Gross Sales and any government rent support, along with Additional Rent (together Normal Rent as defined above), has been the "normal rent" paid by Duty Free since the onset of the Covid-19 pandemic and was the basic rent accepted by the authority as at the date of the Appointment Order.

67. I am advised by Duty Free's counsel, David Ullmann of Blaney McMurtry LLP, that the Authority's counsel was present at the hearing before Justice Pattillo when the initial order was made, but took no position, and the Authority's counsel also received the draft Appointment Order before it was submitted to the Court or signed and did not object to it or request any additional provisions in the order.

Attached hereto and marked as **Exhibit "H"** is an email exchange dated December 14<sup>th</sup>, 2021 with counsel and Justice Pattillo regarding the Appointment Order

68. I am advised by Duty Free's counsel that the Authority's counsel also attended a hearing before Justice Pattillo on January 17<sup>th</sup>, 2022 that resulted in amending the terms of the Appointment Order, but again took no position.

Attached hereto and marked as **Exhibit "I"** is Justice Pattillo's January 17<sup>th</sup>, 2022 Endorsement and amended Appointment Order

69. I am further advised by Duty Free's counsel that the Appointment Order that was provided in draft to the Authority's counsel in advance, does not include a "pay rent" provision requiring payment of full Base Rent that is typically included in insolvency proceeding orders where the debtor is required to pay full post-filing rent in strict compliance with a lease.

70. Justice Penny received and approved the monitor's first and second reports, and granted proposed amendments to the Appointment Order. Justice Penny confirmed that cash flow projections also support the conclusion that the business is viable until the proposed return date. The Authority received notice of the monitor's motion, including the monitors second report, and raised no objections to the continuation of the status quo as ordered by Justice Penny.

Attached hereto and marked as **Exhibit "J"** is a copy of Justice Penny's order dated March 23<sup>rd</sup>, 2022, along with email endorsement.

#### **Compliance with Appointment Order**

71. Since the stay of proceedings, Duty Free has maintained the status quo as it was at the time of the Appointment Order by continuing to pay Normal Rent, and is not in default of the Appointment Order.

72. Duty Free has paid RBC regularly in accordance with its secured lending agreement.

73. Duty Free, through counsel, has in good faith engaged in numerous including phone calls with the Monitor' and RBC's counsel and provided the Monitor two written reports.

Attached hereto and marked as **Exhibit "K"** is a true copy of John Wolf's correspondence to Leanne Williams dated June 9<sup>th</sup>, 2022 and March 10<sup>th</sup>, 2022

74. On November 4<sup>th</sup>, 2022, Duty Free, through its counsel, provided the monitor with a monthly report for October 2022 and cash flow report, as it has been doing on a monthly basis, showing Duty Free is in compliance with its court ordered thresholds.

Attached hereto and marked as **Exhibit "L"** is a true copy of David Ullmann's November 4<sup>th</sup>, 2022 email with attachment

75. The monitor did not take any steps to return this matter to court until its recent stay termination motion and to my knowledge the monitor has not raised any concerns about Duty Free's conduct to date

76. I am not aware of any prejudice to any stakeholders by maintaining the status quo while the issue of what additional base rent is payable is determined.

#### **Frontier Duty Free Association's intervention**

77. The FDFA is the industry representative to Canada's land border duty free shops. Its mandate is to promote the development and success of the land border duty free sector by acting as a voice, advocate and business resource for members.

78. FDFA's members include 32 land border duty free shops. Its associate members include product and service suppliers, Canadian airport duty free stores, and U.S. land border duty free stores.

Attached hereto and marked as **Exhibit "M"** is an Economic Report relating to the impact of Covid-19 on FDFA members from August 2022.



79. FDFA has access to sales and traffic data from its members as well as information about how other landlords dealt with land border duty free store tenants during Covid-19. FDFA intervened at the request of and on behalf of Duty Free to provide a sense of perspective to the Authority on the uniquely devastating impact of the Covid-19 pandemic and the emergency Border Restrictions on land border duty free stores nation wide. FDFA provided information about how other land border duty free store landlords, and in particular Canadian Federal government landlords, have addressed lease obligations and rental payments.

80. On February 1<sup>st</sup>, 2022, Barbara Barrett, the Executive Director of FDFA emailed me providing information FDFA had assembled about the Canadian Federal Government's policy to have Federal tenants treated equally with commercial tenants in respect of the various rent programs the government announced for private sector tenants. In particular, all Federal landlords were directed to align with core CECRA program criteria, which in the case of duty Free would have waived 75% of the Base Rent and Additional Rent due by the Lease during the CECRA program.

Attached hereto and marked as **Exhibit "N"** is Barbara Barrett's email, including links to various Government of Canada websites that are the source of the information in her email.

81. On February 10<sup>th</sup>, 2022, FDFA wrote to the Authority on behalf of Duty Free. It noted that all FDFA stores that were Federal tenants, including those that were not eligible to participate in the CECRA program, were to be provided rent reduction in alignment with CECRA (ie. 75% of rent would be borne by government landlord and Federal Bridge authorities, leaving 25% of rent payable by the tenant). The Authority's treatment of Duty Free was the sole exception to this approach. The letter also noted that the Authority was the only landlord to threaten any FDFA member with the lease termination and it was the only landlord to communicate with a tenant's

lender/bank. FDFA repeatedly offered the Authority the benefit of its good offices to seek to facilitate a resolution of the Lease issues.

Attached hereto and marked as **Exhibit “O”** is a true copy of the letter from FDFA to the Authority dated February 10<sup>th</sup>, 2022

82. In its February 17<sup>th</sup>, 2022 response to FDFA, the Authority refused to engage in discussions with FDFA because the “matter is in the hands of the attorneys... and it will be handled appropriately in that manner”, and notwithstanding that the Authority’s lawyers have refused to meet with Duty Free’s lawyers or to participate in mediation or any other dispute resolution process. In addition, the Authority appeared to seek to justify its treatment of Duty Free by making the nonsensical distinction that: during the period the border was restricted to a small group of essential workers, that it was therefore not closed; Duty Free was not eligible for CECRA; and it claimed Duty Free was offered a generous rent relief package notwithstanding that Duty Free’s sales were obviously inadequate to pay the alleged arrears of Base Rent and/or ongoing Base Rent the Authority demanded.

Attached hereto and marked as **Exhibit “P”** is a true copy of the letter from the Authority to FDFA dated February 17<sup>th</sup>, 2022

83. On February 24<sup>th</sup>, 2022, FDFA responded to the Authority noting that Canadian and American governments intended the Peace Bridge to be closed for all but essential workers from March 2020 until October 2021. Bridge traffic during this period declined by more than 90%. In addition, the provincial government issued health advisories restricting travel and closing Ontario businesses remained in effect. Various other Canadian stakeholders advised the public against discretionary travel to the United States. FDFA also clarified the CECRA issue, having received confirmation from the Treasury Board that “confirmed that Federal departments and agencies who are landlords were not eligible to participate in the CECRA program. Given this, the government

decided that they, as well as Crown corporations, should provide rent reduction to their commercial tenants in alignment with CECRA intent and core criteria for the months of April, May, June, July, August, and September 2020.” (the Authority has not followed this directive). FDFA again requested an opportunity to meet with the Authority to find a mediated solution.

Attached hereto and marked as **Exhibit “Q”** is a true copy of the letter from FDFA to the Authority dated February 24<sup>th</sup>, 2022

84. The Authority again dismissed FDFA’s efforts to assist resolving the Lease issues by letter dated February 25<sup>th</sup>, 2022.

Attached hereto and marked as **Exhibit “R”** is a true copy of the letter from the Authority to FDFA dated February 25<sup>th</sup>, 2022

85. On March 7<sup>th</sup>, 2022, FDFA again wrote to the Authority. FDFA noted that the Authority was the only land border duty-free store landlord that has declined its offer to meet and be of assistance in respect of rent issues arising during the pandemic. It also noted the Authority was an “outlier” in terms of how it interacted with Duty Free in respect of the Covid emergencies caused Lease issues. Again, FDFA offered its services, including an offer to meet with the Authority’s board.

Attached hereto and marked as **Exhibit “S”** is a true copy of the letter from FDFA to the Authority dated March 7<sup>th</sup>, 2022

86. The Authority’s board agreed to meet virtually at its regularly scheduled meeting on March 25<sup>th</sup>, 2022, but advised that it would not discuss specifics of the Lease situation and further asked for written confirmation that Duty Free would not be present.

Attached hereto and marked as **Exhibit “T”** is a true copy of Barbara Barrett’s email exchange with Ron Rienas from March 10<sup>th</sup>, 2022 to May 10<sup>th</sup>, 2022

87. Barbara Barrett, Executive Director of FDFA, gave a presentation at the March 25<sup>th</sup>, 2022 Authority board meeting. Ms. Barrett noted land border duty-free stores sustained a 90% reduction more or less in gross sales up to that point in time during the pandemic, and she identified that 95% more or less of the land border duty-free stores' business was from leisure travellers, which is consistent with Duty Free's observations.

Attached hereto and marked as **Exhibit "U"** is a true copy of Barbara Barrett's presentation dated March 25<sup>th</sup>, 2022

88. Barbara Barrett gave another presentation to the Authority's board in May 2022. In that presentation she noted that monthly sales at land border duty-free stores in April 2022 were down on average 47% compared to April 2019 (Duty Free's sales were down approximately 50% for that period, consistent with the industry average). She noted that the ArriveCAN app, the motor coach industry cancelling tours due to border practices, and individuals' vaccine status were particularly detrimental to land border duty-free stores.

Attached hereto and marked as **Exhibit "V"** is a true copy of Barbara Barrett's presentation from May 2022

89. On October 24<sup>th</sup>, 2022, FDFA wrote to the Authority for the purpose of sharing information and data obtained from its member duty-free stores. As of summer 2022, Canada's land border duty-free store average sales decreases were around 45% as compared to 2019. However, those statistics were taken at a time when the vaccination requirements to enter Canada and the ArriveCAN app were still in place. The FDFA noted that Duty Free was by then among the top-performing Canadian duty-free stores. Duty Free's sales performance is directly impacted by Governmental Authorities closure policy, and upon partial opening Border Restrictions and especially the failure to provide appropriate rent subsidy programs to Duty Free.

Attached hereto and marked as **Exhibit “W”** is a true copy of the letter from FDFA to the Authority dated October 24<sup>th</sup>, 2022

**Communication with Federal Government**

90. On April 1<sup>st</sup>, 2022, Member of Parliament for the Niagara Falls Riding, Tony Baldinelli, wrote to the Minister of Finance and Deputy Prime Minister, Crystia Freeland, following a meeting with FDFA. The letter notes that since Federal pandemic border restrictions and rules were implemented in March 2020, land border duty-free stores have either been fully or partially closed. The business model was instantly broken when the borders closed. Consequently, land border duty-free stores’ finances have suffered tremendously and thousands of workers have been laid off. There is a request before the Federal government for a \$20 million financial support program to save land border duty-free store businesses that have been uniquely and disproportionately impacted by the pandemic.

Attached hereto and marked as **Exhibit “X”** is a true copy of the letter from Tony Baldinelli to Deputy Prime Minister Crystia Freeland dated April 1<sup>st</sup>, 2022

91. The Minister of Tourism and Associate Minister of Finance, Randy Boissonnault, responded on August 2<sup>nd</sup>, 2022 noting substantial government funds that are intended to assist workers and businesses in the tourism industry, including duty-free stores that “felt the full impact of public health measures and border closures.” The response also noted progress in reopening the border and additional funds that are earmarked to facilitate the timely and efficient entry of a growing number of visitors to Canada.

Attached hereto and marked as **Exhibit “Y”** is a true copy of the August 2<sup>nd</sup>, 2022 correspondence from Minister of Tourism and Associate Minister of Finance, Randy Boissonnault

92. On August 9<sup>th</sup>, 2022, I wrote to member of Parliament, Vance Badawey, regarding the Lease and the urgent need for government funding and/or a loan program to address the devastating financial impact to Duty Free and other land border duty-free stores.

Attached hereto and marked as **Exhibit “Z”** is a true copy of the letter from Jim Pearce to Vance Badaway

**Damages resulting from the Authority wrongfully causing receivership application**

93. To my knowledge, which is confirmed by Barbara Barrett of the FDFA, the Authority is the only land border duty-free store landlord to contact a duty-free store tenant’s creditor/bank for the express purpose of causing the creditor to initiate receivership proceedings because of what it stated was pending Lease termination, notwithstanding that it knew that it was prohibited from terminating the Lease by reason of the eviction moratorium under Part IV of the *Commercial Tenancies Act*, that was in place through April 2022.

94. As a result of the receivership and monitor proceedings, significant costs have been incurred, at the sole expense of Duty Free. Such costs were \$358,249.48 as of November 9<sup>th</sup>, 2022; and cost have continued to accrue thereafter. Leave may be sought to deliver further evidence before the hearing of this motion as to actual costs as at that time.

Attached hereto and marked as **Exhibit “AA”** is a summary of Duty Free’s professional fees incurred to date in respect of the receivership application proceeding

95. Pursuant to Canada Border Services Agency Memorandum D4-3-2, in the event of a receiver is appointed, the receiver is not permitted to operate a duty-free store unless permission is requested from and granted by the Canada Border Services Agency.

Attached hereto and marked as **Exhibit “BB”** is a true copy of Canada Border Services Agency Memorandum D4-3-2

96. I believe the Authority (wrongfully) assumed RBC would appoint a receiver to operate Duty Free's business and pay Base Rent indefinitely pending a sale of the business and assignment of the Lease.

97. My expectation is that a receiver appointed by RBC would not receive permission from Canada Border Services Agency to continue the day-to-day operations of the duty-free shop. Rather, the most likely scenario is that the receiver would shut down the business, return product to suppliers to the extent possible and liquidate the balance of the inventory offsite.

98. RBC has not requested any information in respect of day to day operations or staffing which in my view supports my expectation. If RBC was planning for the eventual receivership operation of Duty Free, especially after the Authority's motion I would have expected it to reach out to duty Free for its co-operation. I have spoken with RBC during this period about other matters.

99. The imposition of a receiver defacto results in the destruction of Duty Free.

#### **Arbitrary treatment of Duty Free**

100. The Authority's 2020 Annual Report notes at page 10 that both the U.S. and the Canadian duty-free store leases at the Peace Bridge have a minimum base rent component:

The rent from the duty free stores was negatively impacted by the border restrictions on non-essential travel that resulted in sharp declines in duty free sales. **Both the U.S. and the Canadian duty-free stores are required to pay a minimum base rent;** however, due to the COVID-19 border restrictions, the Authority entered in to rent deferral agreements with both stores. [emphasis added]

Attached hereto and marked as **Exhibit "CC"** is a true copy of the 2020 Annual Report

101. Page 21 of the Authority's 2021 Financial Statements posted on its website notes that both the U.S. and Canadian duty-free store leases contain a continent component, along with the annual minimum rent component:

The Authority, as lessor, has entered into non-cancelable operating leases with separate U.S. and Canadian duty-free enterprises through December 31, 2025 and October 31, 2031, respectively. The Authority recognized \$4,494,000 and \$4,260,000 in gross rental income in 2021 and 2020 from the duty-free enterprises. **The leases provide for annual minimum and contingent lease payments to the Authority.** [emphasis added]

102. Page v. of the Authority's 2021 Financial Statements states that the U.S. duty-free store now (or at least at the time the report was prepared) pays only a percentage of actual sales made each month as rent (i.e. it is not paying the annual minimum rent component provided for in its lease).

103. Duty Free has been paying 20% of its Gross Sales, which was the underlying conceptual basis for the calculation of Base Rent set out in Article IV of the Lease. However, the Authority's demand of 100% of annual Base Rent after December 14<sup>th</sup>, 2021 is inconsistent with the normal payment practices at the time of the Appointment Order. It also appears to be inconsistent with the Authority's treatment of its other Peace Bridge duty-free store tenant.

104. It is unclear to me why the Authority appears to have arbitrarily given preferential treatment to its U.S. duty free store tenant over Duty Free by purporting through legal proceedings to require Duty Free to pay an annual minimum Base Rent instead of a percentage of actual sales when the Authority is aware Duty Free's Gross Sales are insufficient to pay the annual minimum Base Rent, and Duty Free arguably faced and continues to face greater restrictions (as the border to the US is not yet open to unvaccinated travelers) in Ontario than the U.S. duty free store did or does in New York where the border into Canada is open without restriction.



105. The Authority's position vis a vis Duty Free is even more befuddling since its assets as of December 31<sup>st</sup>, 2021 included approximately US\$77,000,000 of unrestricted cash and cash equivalents on hand, representing nearly 2,570 days cash on hand as noted at page v. of the Authority's 2021 Financial Statements

Attached hereto and marked as **Exhibit "DD"** is a true copy of the Authority's 2021 Financial Statements.

### **Losses due to Border Restrictions**

106. As a result of the emergency Border Restrictions, and during the Closure Period Duty Free was deprived of the entire benefit of its bargain.

107. Duty Free was not allowed to operate the Permitted Use under the Lease or to peaceably and quietly hold and enjoy the Leased Premises without hindrance or interruption of the Authority, both as landlord and as Government Authority.

108. The Authority adopted what can be described as an aggressive rights based approach after the initial deferral agreement by ultimately seeking after the November 2020 rent deferral agreement had expired, that it was of no force or effect. As such the Authority seeks to continue to charge full Base Rent from July 2020 while prohibiting Duty Free from operating the sole Permitted Use at the Leased Premises.

109. Duty Free lost the total value of any Base Rent payable for the duration that the Government Authorities' emergency Border Restrictions prevented Duty Free from operating its retail duty-free shop during the Closure Period.

**Failure to account for insurance proceeds**

110. Duty Free paid for the Authority's business interruption insurance as part of its Operating Costs pursuant to subsection 11.06 of the Lease through Additional Rent.

111. As such I understand the Authority may have had access to business interruption insurance. As of the date of this affidavit, the Authority has not disclosed whether it applied for business interruption coverage, and what, if any, proceeds it has received from any insurance policies it may have obtained at Duty Free's expense.

**Border Traffic**

112. While border traffic eastbound on the Peace Bridge (which is the direction that travelers would access Duty Free's retail store) remains significantly below pre-Covid 19 levels, there has been a slow upward trend toward increased traffic. Traffic for October 2022 was down 27% compared to October 2019, and traffic for all of 2022 is down by 47%.

Attached hereto and marked as **Exhibit "EE"** is a summary of eastbound traffic on the Peace Bridge from January 2017 to October 2022.

**Duty Free Gross Sales are anticipated to continue to improve**

113. Duty Free's sales remain significantly below pre-Covid 19 levels. However, in recent months since the emergency border restrictions began to be eased and the Ontario provincial government restrictions have also been eased, and with the recent elimination of the ArriveCan app, Duty Free's sales have been slowly, but consistently trended upward.

114. Duty Free's Gross Sales have increased from close to 0% to about 60% to 65% of 2019 pre-Covid sales by October 2022.

Attached hereto and marked as **Exhibit "FF"** is a summary of sales from January 2017 to October 2022.

115. Assuming sales continue trending upward and no unforeseen reintroduction of government restrictions, Duty Free anticipates that as border traffic returns to its pre-Covid-19 levels, sales will continue to increase to a level which will enable it to be able to pay the annual minimum Base Rent provided for in the Lease. However, the uncertainties around Covid-19 make any timing estimate problematic, as is seen from the lengthy list noted earlier of government extensions and re-impositions of emergency restrictions. As at the time of making this affidavit, Covid-19 related infections are increasing and Ontario's medical system is discussing the possible re-introduction of mandatory masks. It is uncertain what the future may hold and for that reason it is important that certainty exist in respect of base rent obligations under the Lease in the event of further material Adverse Effects related to a change in Applicable Laws.

#### **Impact of Lease termination**

116. In the event the Lease is terminated, all Duty Free employees will lose their jobs, likely resulting in employment insurance applications; a licensed replacement operator will need to be found, and will likely take a minimum of up to six months to begin operating, resulting in a total rent loss for that period. During any such period all of Duty Free's suppliers will lose all of their sales.

117. A new lease will have to be negotiated with a new operator taking into consideration the new economic reality for cross-border duty-free shopping and the reduction in bridge traffic as compared to 2015/2016, rather than the Rent payable under the Lease that was negotiated pre-Covid-19 based on significantly higher traffic volumes.

118. In the event the Lease is terminated, there will be no duty-free services for people leaving Canada into the U.S. at the Peace Bridge border crossing while the destruction caused by the

Authority is sorted out, a new operator is found, a new lease negotiated, and the new operator gets the business up and running again, along with all the growing pains involved starting a new business in a highly regulated environment.

119. Licensing may be a further obstacle. In June 2022, I was advised by Charles Melchers, Director Regulatory Trade Programs for Canada Border Services Agency, that it would not be issuing new licenses for duty free stores at least well into 2023.

120. It is extremely unlikely any replacement tenant would agree to pay gross rent as a percentage of occupancy costs of 20% like Duty Free has and will continue to do. According to FDFA, Duty Free by the Lease pays the highest Base Rent of any Canadian land border duty free store and the highest percentage of gross sales.

121. In addition, as a result of Duty Free's secured bank creditor RBC, the Authority likely would not recover any of the alleged Base Rent arrears in the context of a receivership or other insolvency, as all sums would be required by RBC.

122. I continue to believe that in conjunction with a judicial ordered mediation, and given some more months for Gross Sales to continue to improve, that a commercial resolution can be reached with the Authority reflecting a fair compromise to both parties; and the best value for the Authority will be achieved by preserving the Lease (which now provides for higher than market Base

Rent). With the passage of time, it is anticipated that Duty Free, which was a profitable business before Covid-19, will return to form.

**SWORN (OR AFFIRMED)** remotely )  
 by way of video conference by Jim )  
 Pearce stated as being located in the )  
 Town of Fort Erie, in the Province of )  
 Ontario, before Brendan Jones stated as )  
 being in the City of Toronto, in the )  
 Province of Ontario on this 13<sup>th</sup> day of )  
 November, 2022, in accordance with )  
 O.Reg. 431/20, Administering the Oath )  
 or Declaration remotely. )  
 )  
 )



*A Commissioner for Taking Affidavits,*  
**Brendan Jones**

  
**JIM PEARCE**

**ROYAL BANK OF CANADA**

Applicant

and

Court File No. CV 21-00673084-00CL  
Y387

**PEACE BRIDGE DUTY FREE INC.**

Respondent

Email address of recipient: See Service List

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
(COMMERCIAL LIST)**

Proceeding commenced at Toronto

**AFFIDAVIT OF JIM PEARCE**

**BLANEY MCMURTRY LLP**

Barristers & Solicitors  
2 Queen Street East, Suite 1500  
Toronto, ON, M5C 3G5

**David T. Ullmann** (LSO #42357I)

Tel: (416) 596-4289

Email: [dullmann@blaney.com](mailto:dullmann@blaney.com)

**John Wolf** (LSO #30165B)

Email: [jwolf@blaney.com](mailto:jwolf@blaney.com)

**Brendan Jones** (LSO #56821F)

Email: [bjones@blaney.com](mailto:bjones@blaney.com)

**Alexandra Teodorescu** (LSO #63889D)

Email: [ateodorescu@blaney.com](mailto:ateodorescu@blaney.com)

Lawyers for the Respondent

THIS IS **EXHIBIT "A"** TO  
THE AFFIDAVIT OF **JIM PEARCE**  
**SWORN REMOTELY** by Jim Pearce being located in the  
Town of Fort Erie, in the Province of Ontario, before me  
at the City of Toronto, in the Province of Ontario, on  
November 13, 2022, in accordance with O.Reg  
431/20, administering Oath or Declaration Remotely



---

Commissioner, etc.

John C. Wolf  
Partner  
D: 416-593-2994 E: jwolf@blaney.com

January 14<sup>th</sup>, 2022

**Via Email**

Gowling WLG  
100 King St West  
Suite # 1600  
Toronto, ON, M5X 1G5

Attention: Christopher Stanek and Patrick Shea

Dear Chris and Patrick,

RE: **Buffalo & Fort Erie Public Bridge Authority ("Landlord") lease to Peace Bridge Duty Free Inc. as amended ("Lease") of certain premises ("Duty Free Store "or "store")**

And Re: **Royal Bank Of Canada ("RBC") Receivership Application  
Initially returnable December 14<sup>th</sup>, 2021 ("Receivership")**

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Further to your last email, we wanted to respond to you with areas of mutual client agreement, and proposals on those areas still requiring refinement.

Underlying this letter are what I understand to be the material interests/positions of the parties as follows:

1. Authority has no business objective of terminating the Lease in favour of another tenant.
2. All things being equal Authority is prepared for Duty Free to remain the tenant throughout the Lease term.
3. Authority supported Duty Free after May 2020 when it was unable to pay rent because of governmental closures and in that regard an initial rent deferral agreement was concluded, and a second agreement was executed by Duty Free (but not by the Authority) that sought to address the periods through March 31<sup>st</sup>, 2021, it being anticipated non-essential traffic would resume before then.
4. In December 2020, the Authority supported Duty Free's attempts to secure federal support.
5. In April 2021, the parties began to disagree. The Authority wanted Duty Free to open for business and Duty Free wanted to await a time when non-essential traffic was permitted again, or at least expected in the short term.
6. Despite this philosophical disagreement, the status quo was permitted to continue without further written agreement- probably because of the provincial eviction moratorium which the Authority acknowledged the existence of in various communications.



7. Once Duty Free opened in early Fall 2021, the Authority sought payment of full minimum monthly basic rent notwithstanding that sales having regard to reduced traffic were inevitably going to be insufficient to generate that sum.
8. In August 2021, DutyFree made a proposal which was not acceptable to Authority. Counter proposals were exchanged.
9. During 2021, Duty Free paid monthly 20% of actual gross sales which was accepted by the Authority (20% being the basis upon which minimum basic rent is calculated in the Lease). Duty Free gross sales since opening are approximately 35% of pre-closure sales.
10. Bad weather and government musing about future Covid implications have had an immediate negative impact on gross sales.

From the exchanges to date, it appears that prior to Omicron when it was anticipated that the pandemic was moving behind the parties and a gradual return to normal bridge traffic could be reasonably contemplated, the parties indicated in without prejudice proposals a general agreement as follows:

1. Security deposit \$50,000 to be replenished (completed).
2. HST would be paid by Duty Free on the Authority's imputed 2021 Rent (resulting in an overpayment of HST) (completed).
3. Food tenant to be sought at full market rent and approved by Authority (underway).
4. Lease amendment to be retroactive to November 1<sup>st</sup>, 2021.
5. Existing Lease terms apply after January 1<sup>st</sup>, 2026.
6. 2023: minimum base rent calculated as the greater of rent payable on \$3 million, or 20% of sales.
7. 2024: minimum base rent calculated as the greater of rent payable on \$3.5 million, or 20% of sales.
8. 2025: minimum base rent calculated as the greater of rent payable on \$4 million, or 20% of sales.

Obviously given the developments of the past two months, particulars of these terms will require tweaking to reflect on the ground facts, and the delay in any proforma estimates of the time for business to improve sufficiently to be able to honour these commitments..

The parties were not able to reach any agreement in principal on:

1. Basic rent for the period October 24<sup>th</sup> - December 2021.
2. Basic rent for the period 2022.
3. How to address rent arrears (partial forgiveness and the balance abated over a future term).
4. Treatment of the 2021 HST over payment.
5. Duty Free's Lease term extension proposal.
6. How to address further governmental interference with bridge crossing; and/or reduction in traffic.

Since the exchange of offers, Omicron has introduced a further and large degree of uncertainty into bridge traffic and therefore what will be achieved vis a vis Duty Free sales in 2022.

Ontario is currently in shutdown.

The Federal government (with a stake in the Authority) has specifically requested that Canadians not travel internationally.

It is unknown whether non-essential travel border will be restricted.

As of today, it is expected that unvaccinated persons will be barred entry into Canada and therefore cannot be customers on the return to the USA.

Evidence on the effectiveness of vaccines on new variants is extremely disappointing. Ontario, despite two years of opportunity to plan, appears to have no excess medical capacity generally; and as at now actual capacity is materially impacted by medical worker infection and absenteeism.

The American government is warning its citizens not to travel to Ontario by reason of published Omicron infection rates.

The status quo is to put it mildly, fluid and full of uncertainty and this unfortunate reality should be accounted for in any lease amending agreement.

Over the holidays, we have made many investigations in furtherance of a fair and commercially reasonable framework for a lease amending agreement that takes into account industry norms and practices in dealing with this unprecedented event.

Our investigations have revealed a number of interesting and relevant facts such as:

1. No other Canadian frontier duty free location has been threatened with eviction or other lease enforcement by its landlord as has Duty Free.
2. We are advised that the Treasury Board stated that all federal landlords were to participate in CECRA. We are attempting to obtain a copy of that decree. The Authority did not receive CECRA. Had the Authority received CECRA, 75% of eligible rent would have been forgiven from March 2020 to September 2020. During this period, gross rent of about \$2.7 million accrued.
3. The clear intent of the Treasury Board/Federal Government was that CECRA type rent relief should be afforded to frontier duty free stores and many tenants received the benefit of CECRA, or otherwise received CECRA kind relief.
4. Other similarly situated frontier duty free parties have negotiated rent forgiveness, rent reduction and rent deferment agreements where arrears are payable over the term of the lease, and which appear to incorporate CECRA like terms of 75% forgiven during the CECRA period or most of it, and a material rent reduction in respect of the period thereafter and going forward.
5. A public example of this is the Sault St. Marie Bridge Authority which agreed:

for the Canadian operator to:

- (a) Reduce minimum rent for 2020/2021 and 2021/2022 by 35%;
- (b) In addition to waive 75% of rent from April – June 2020 (**at the express request of the Federal Ministry of Transportation**);

for the American operator to:

- (c) Extend the term of the lease by 15 years;
- (d) Reduce percentage rent from 18% to 16% (the same rate as the Canadian operator);
- (e) Reduce rent retroactively by 35% from March 2020 until border re-opening;

- (f) Payment of reduced rent during closure to be deferred and payable amortized without interest over the balance of the term of the extended lease.

Attached are the Sault St. Marie Bridge Authority's minutes evidencing the foregoing.

The approach of the Sault St. Marie Bridge Authority is instructive in terms of examples of reasonable accommodations to duty free operators having regard to site specific facts, including CECRA type relief.

What the parties can take from this is:

1. No duty free leases are in jeopardy except according to the Authority, the Peace Bridge Duty Free;
2. Federal rent relief programs have recently been extended until at least May 2022. In the past, the *Commercial Tenancies Act* stay of enforcement of leases has been extended to a period six months thereafter which means at least November 2022. There is no reason to expect anything different this time.
3. Duty Free may be eligible for the next rent relief program.
4. Rent relief needs to take into account future partial closures/loss of bridge traffic if and when such events occur.
5. Rent relief in favour of Duty Free during CECRA or any other period of government shutdown should be significant such as 75% (like under CECRA).
6. Rent relief in favour of Duty Free during any period of restricted operation should be material such as 35% (used by the Sault St. Marie Bridge Authority).
7. Remaining arrears of rent should be abated over the remaining balance of any term of the Lease without interest.

Our client is keen to resolve all issues related to the Lease, and to be able to focus on its business.

We look forward to a face to face zoom mediation to further hone this proposal into a written agreement capable of execution. Please reply with a mediator from the list previously provided acceptable to you.

Yours very truly,

**Blaney McMurtry LLP**



John C. Wolf  
JCW/gf  
Encl.

cc: David Ullmann and Alexandra Teodorescu



## SAULT STE. MARIE BRIDGE AUTHORITY

### SAULT STE. MARIE, ONTARIO

NATALIE KINLOCH, CHAIR  
WARREN ASKEW, MEMBER  
THYE LEE, MEMBER

### SAULT STE. MARIE, MICHIGAN

LINDA HOATH, VICE CHAIR  
THOMAS BUCKINGHAM SR., MEMBER  
SCOTT SHACKLETON, MEMBER  
NICHOLAS WHITE, MEMBER

### **Sault Ste. Marie Bridge Authority**

#### *Draft Minutes*

**May 13, 2021**

#### **Virtual Meeting via Zoom**

**Present:** Natalie Kinloch, Chair (Apple Hill, Ontario)  
Linda Hoath, Vice Chair (Sault, Michigan)  
Warren Askew, Member (Sarnia, Ontario)  
Thye Lee, Member (Ottawa, Ontario)  
Thomas Buckingham, Sr., Member (Newberry, Michigan)  
Nicholas White, Member

**Absent:** Scott Shackleton, Member

**Also Present:** Peter Petäinen, Bridge Director, IBA  
Laura Mester, Chief Administrative Officer, MDOT  
Michael Dittenber, Attorney General's Office, MDOT  
Sara Moore, International Border Crossing & Trade Specialist, MDOT  
Emily Jacques, Chief Financial Officer, IBA  
Karl Hansen, Bridge Engineer, IBA  
Marcus Eidenier, Facilities & Asset Manager, IBA  
Fiore Cappelli, Operations Manager, IBA  
Cheryn Sanford, Departmental Analyst, IBA  
Suzanne Moreau, Accounting Technician, IBA  
Holly Bishop, Calculations Assistant, IBA  
Dan Weingarten, MDOT Communications Representative  
Ken Talsma, Principal, Anderson Tackman & Company

Chair Kinloch called the meeting to order at 9:02 a.m.

#### **I. Approval of Minutes**

A motion was made by Vice Chair Hoath to approve the February 18, 2021 Sault Ste. Marie Bridge Authority regular meeting minutes as written. The motion was seconded by Member Askew. A roll call vote was taken by all members present. All present voted aye. Motion carried unanimously.

REPLY TO: PETER M. PETAINEN, BRIDGE DIRECTOR

934 BRIDGE PLAZA  
SAULT STE. MARIE, MICHIGAN 49783  
PHONE: (906) 635-5255 FAX: (906) 635-0540  
TDD/TTY – MICHIGAN RELAY CENTER (800) 649-3777

121 HURON STREET  
SAULT STE. MARIE, ON P6A 1R3  
PHONE: (705) 942-4345  
[www.michigan.gov/iba](http://www.michigan.gov/iba)

## II. General Manager Comments

### A. Toll Software Replacement Project

Peter reported the respective bridge stakeholders have come to a new agreement on a MOA for the procurement of the new toll software, including contracting and maintenance; the IBA will be the contracting authority on behalf of all stakeholders. The goal is to have a contract in place by July 2021 with replacement software and related equipment installed and functional by the summer of 2022; the current toll software contract expires on August 31, 2022. The initial contract would cover a five-year period with options to renew for an additional five years.

A budget amendment will be requested in the future as currently the approved budgets only cover the IBA's portion of the costs; however, with the IBA being the contracting authority, we will need to show the inflow/outflow of all monies associated with the contract. MDOT has agreed to provide owner support to cover the upfront capital costs for the IBA's portion which would be repaid over the life of the contract at approximately \$410k per year.

Final approvals are pending by the State Administrative Board and the Federal Bridge Corporation, Limited.

Member White made the following motion:

Whereas the International Bridge Administration (IBA) is operating under a current Memorandum of Understanding (MOU) between Michigan Department of Transportation (MDOT), Department of Technology Management and Budget (DTMB), Blue Water Bridge-MDOT (BWB-MDOT), and Mackinac Bridge Authority (MBA) for the shared cost and operation of its toll collection system, and;

Whereas MBA replaced their software vendor in August of 2019, and exited the current MOU, and;

Whereas the current vendor contract for IBA and BWB-MDOT expires August 2022, and;

Whereas IBA makes purchases and contracts in its own name, and operates under and has a current agreed upon bi-national Intergovernmental Agreement between FBCL and MDOT, and;

Whereas the IBA, FBCL and BWB-MDOT conducted a toll replacement study for future contract options, and;

Whereas the study identified significant potential operational efficiencies and capital cost savings, and;

Whereas DTMB is finalizing the procurement process on behalf of the Michigan Toll Bridges (IBA and BWB-MDOT) for software replacement, and;

Whereas the IBA, FBCL, and BWB-MDOT have drafted a proposed new Memorandum of Agreement (MOA) for software replacement, and;

Whereas the proposed new vendor and contract are also subject to approvals by the State Administrative Board and The Federal Bridge Corporation Limited Board of Directors,

Now be it hereby resolved that:

- SSMBA approve IBA to enter into a new Memorandum of Agreement (MOA) to allocate costs of the toll system replacement with the stakeholders BWB(MDOT) and/or FBCL, on the condition that each participating stakeholder has obtained all approvals required to enter into the MOA, and;
- SSMBA approve IBA to act as the contracting authority and enter into the proposed contract for toll system replacement on behalf of the named stakeholders of the MOA, and;
- SSMBA conditionally approve IBA to enter into a contract on or after June 24, 2021 on behalf of BWB-MDOT and itself, as selected and recommended by the bi-national stakeholder Joint Evaluation Committee having utilized the DTMB procurement process for the Michigan stakeholders, and subject to the State Administrative Board approval, and;
- SSMBA conditionally approve inclusion of the FBCL as a stakeholder to the toll system replacement contract subject to the FBCL Board of Directors, and;
- MOA stakeholders will reimburse IBA 100% of their respective contract shares as identified in the contract and as invoiced by IBA.

The motion was seconded by Member Lee. A roll call vote was taken by all members present. All present voted aye. Motion carried unanimously.

#### B. Duty Free Stores

Peter stated an agreement with the Sault Ste. Marie Duty Free operator in Ontario has been reached; subject to receipt of documentation that the operator has applied for federal support available under Canadian support programs, they will receive a 35% reduction in rent relief for the \$77,259 minimum annual payment for 2020/21 and 2021/22. Additionally, they will receive a retroactive reduction in rent of 75% for April-June 2020 which comes at the request of the Canadian Federal Minister of Transport related to relief for operators.

The American Duty Free store lease is also due for renewal and terms have been negotiated via the MDOT Real Estate Office. The proposed term for the lease renewal is 15 years which will be retroactive to February 1, 2021 with a new expiration date of January 31, 2036. There will be a reduction in the percentage of gross sales from 18% to 16%, which mirrors the annual percentage paid by the Canadian Duty Free operator. The American Duty Free operator will also receive a 35% rent reduction from March 20, 2020 until the border is reopened; payment of the reduced rent will

be deferred until the border opens after which repayment will be amortized monthly over the remaining term of the lease.

Member Buckingham made a motion to approve the US Duty Free lease agreement extension with terms as follows:

- Extension of lease term from be February 1, 2021 through January 31, 2036, and;
- Rental rate of 16% of gross sales, payable monthly, and;
- Minimum annual rent of \$77,259 (USD) for the term of the lease extension, and;
- Annual minimum discounted by 35%, during the duration of the border closure, to \$50,218.35, with repayment to be amortized over the life of the lease upon border reopening.

The motion was seconded by Vice Chair Hoath. A roll call vote was taken by all members present. All present voted aye. Motion carried unanimously.

#### C. Other Comments

- Peter stated MDOT Director Ajegba requested the respective Michigan big bridge managers work together on consistency and standardization in their working job titles. This was initiated by the Mackinac Bridge Authority Executive Secretary Kim Nowack, who requested that her working job title be updated to better reflect her role and position. This was reviewed by both Civil Service and the Michigan Attorney General's offices, whom we met with on April 27<sup>th</sup>. It was determined that the working job titles have no impact on our Civil Service classification, nor anything related to Human Resources. It is effectively an agreed upon change solely in job title to best represent the roles. As such, MDOT will now reference each big bridge manager respectively as Bridge Director, as opposed to the various descriptions today that included Executive Secretary, General Manager, or Bridge Administrator.
- Peter reported work on all of the FBCL stimulus projects is now complete.
- The peregrine falcons have returned and there are three eggs in the nest. Live viewing of the birds can be seen at [www.saultbridge.com/falcam](http://www.saultbridge.com/falcam).

### III. **Finance and Operations**

#### A. December 31, 2020 Audit Report

CFO Emily Jacques introduced Ken Talsma of Anderson, Tackman & Company. Mr. Talsma gave an overview of the audit process from start to finish and reviewed the audit report letter with the board members. He stated the IBA received the best possible independent audit result, which is an "Unmodified Opinion" which means everything was fairly and accurately reported in accordance with auditing principles.

Mr. Talsma expressed his appreciation to IBA staff for their assistance throughout the auditing process. He stated despite the challenges the pandemic posed, his staff always felt safe and social distancing protocols were easily achieved.

Vice Chair Hoath made a motion to approve the December 31, 2020 Sault Ste. Marie Bridge Authority basic financial statements and independent audit report. The motion was seconded by Member Askew. A roll call vote was taken by all members present. All present voted aye. Motion carried unanimously.

**B. First Quarter Financial Report**

CFO Emily Jacques reported balance sheet assets as of March 31, 2021 were at \$6.8M; total liabilities were at \$680K, and total fund balance was at \$3.9M. Total net revenue for quarter ending March 31, 2021 was \$1.2M with total next expenditures totaling \$1M.

**C. Independent Auditor Renewal**

Per the Intergovernmental Agreement, the board must approve the independent auditor each fiscal year; the IBA respectfully requests board approval to renew Anderson Tackman & Company as the independent auditor for fiscal year ending December 31, 2021.

Vice Chair Hoath made a motion to exercise the option to renew the contract with Anderson Tackman & Company as the Sault Ste. Marie Bridge Authority's independent auditor for the fiscal year ending December 31, 2021. The motion was seconded by Member Lee. A roll call vote was taken by all members present. All present voted aye. Motion carried unanimously.

**IV. Maintenance Operations**

**A. Activity and Project Tracking Report**

Asset Manager Marcus Eidenier stated overall labor and equipment usage spending was down 41% for the first quarter of 2021; the decrease is attributed to a decrease in winter plowing and sanding activities along with the payroll savings realized from staff temporary reassignments and three full time vacancies.

**B. 2021 Maintenance Projects**

Marcus stated during the 2021 season the maintenance crew will focus on the remaining 26% of routine maintenance items identified in the 2019 annual inspection report. Additionally, staff will focus on spot painting on the lower portion of the U.S. Arch, repairs to the top of pier 19, and decommissioning and removal of the Shaw Cable system from the bridge; all expenses relating to the removal of the cable system will be reimbursed by Shaw Cable.

**C. UB50 Training**

Marcus stated Aspen Aerial will be traveling to the Sault the week of May 17<sup>th</sup> to provide training to IBA maintenance staff. The 2-day course will include basic mechanical troubleshooting, proper maintenance, and a general overview of operational procedures. Total cost of the training is \$6,000.



V. **Capital Project Update**

A. 2021 Routine Detailed Inspection

Bridge Engineer Karl Hansen reported Hardesty and Hanover will be onsite during the first two weeks of August to conduct the first bi-annual routine detailed inspection; preliminary findings will be reported at the August SSMBA meeting.

VI. **Public Comment**

There was no public comment.

VII. **Adjournment**

Vice Chair Hoath made a motion to adjourn. The motion was seconded by Member Askew. A roll call vote was taken by all members present. All present voted aye. Motion carried unanimously and the meeting was adjourned at 10:23 a.m.

Respectfully Submitted,  
International Bridge Administration



Peter M. Petäinen  
Bridge Director

PP:cs

**From:** John C. Wolf  
**Sent:** January 14, 2022 2:57 PM  
**To:** 'Stanek, Chris'; Shea, Patrick  
**Cc:** David T. Ullmann; Alexandra Teodorescu; John C. Wolf  
**Subject:** RE: Peace Bridge Duty Free

**Follow Up Flag:** Follow up  
**Flag Status:** Completed

Chris,  
The tenant are not presently direct litigants.  
The letter will not be before the court through Blaney. It was not provided to any other person( other than our clients of course)  
We are not fully comprehending the matter of the distinction as to whether parts of the letter may ultimately be found to be with or without prejudice if litigation between the parties is commenced.  
Having said that, and in regard to the prejudice issue, we reiterate our several communications that our intention is to resolve matters with the landlord through reasoned landlord and discussion, preferably with the assistance of a skilled mediator.  
In our experience and view, any pragmatic and reasonable landlord could reach a resolution with the Tenant that is capable of performance, and maximizes recovery in the context of ensuring the business remains viable. All parties need to get by mistrust and posturing and roll up their sleeves to get a LAA completed.  
Regards,  
John  
John C. Wolf

[jwolf@blaney.com](mailto:jwolf@blaney.com)  
📞 416-593-2994 | 📠 416-596-2044

---

**From:** Stanek, Chris <Christopher.Stanek@gowlingwlg.com>  
**Sent:** January 14, 2022 2:37 PM  
**To:** John C. Wolf <jwolf@blaney.com>; Gail Fairhart <gfairhart@blaney.com>; Shea, Patrick <Patrick.Shea@gowlingwlg.com>  
**Cc:** David T. Ullmann <DUllmann@blaney.com>; Alexandra Teodorescu <ATeodorescu@blaney.com>  
**Subject:** RE: Peace Bridge Duty Free

Mr. Wolf:

I understand from your reply that your letter is "with prejudice" but will not be before the court on Monday. Please confirm.

Christopher Stanek  
*Partner*

T +1 416 862 4369  
[christopher.stanek@gowlingwlg.com](mailto:christopher.stanek@gowlingwlg.com)



---

**From:** John C. Wolf <[jwolf@blaney.com](mailto:jwolf@blaney.com)>  
**Sent:** Friday, January 14, 2022 2:32 PM  
**To:** Stanek, Chris <[Christopher.Stanek@ca.gowlingwlg.com](mailto:Christopher.Stanek@ca.gowlingwlg.com)>; Gail Fairhart <[gfairhart@blaney.com](mailto:gfairhart@blaney.com)>; Shea, Patrick <[Patrick.Shea@ca.gowlingwlg.com](mailto:Patrick.Shea@ca.gowlingwlg.com)>  
**Cc:** David T. Ullmann <[DUllmann@blaney.com](mailto:DUllmann@blaney.com)>; Alexandra Teodorescu <[ATeodorescu@blaney.com](mailto:ATeodorescu@blaney.com)>; John C. Wolf

<[jwolf@blaney.com](mailto:jwolf@blaney.com)>

**Subject:** RE: Peace Bridge Duty Free

1400

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Chris,

We wanted to promptly reply. The letter will not be before the court unless you place it before the court. We hope it will assist all to move this matter forward to a reasonable without prejudice settlement framework. It is sent in furtherance of our proposal that a mediation be conducted asap to settle these matters or as many as possible. It is our view that at present all parties would benefit from a neutral mediator.

Regards,

John

John C. Wolf

[jwolf@blaney.com](mailto:jwolf@blaney.com)

📞 416-593-2994 | 📠 416-596-2044

**From:** Stanek, Chris <[Christopher.Stanek@gowlingwlg.com](mailto:Christopher.Stanek@gowlingwlg.com)>

**Sent:** January 14, 2022 2:27 PM

**To:** Gail Fairhart <[gfairhart@blaney.com](mailto:gfairhart@blaney.com)>; Shea, Patrick <[Patrick.Shea@gowlingwlg.com](mailto:Patrick.Shea@gowlingwlg.com)>

**Cc:** David T. Ullmann <[DUllmann@blaney.com](mailto:DUllmann@blaney.com)>; Alexandra Teodorescu <[ATeodorescu@blaney.com](mailto:ATeodorescu@blaney.com)>; John C. Wolf <[jwolf@blaney.com](mailto:jwolf@blaney.com)>

**Subject:** RE: Peace Bridge Duty Free

Mr. Wolf and Mr. Ullmann:

We have reviewed your letter and our client contests a number of assertions in it. As such, we will be required to respond. Please also advise if the letter you sent is "with prejudice" or "without prejudice". More specifically, will it be before the court on Monday?

Christopher Stanek

Partner

T +1 416 862 4369

[christopher.stanek@gowlingwlg.com](mailto:christopher.stanek@gowlingwlg.com)



**From:** Gail Fairhart <[gfairhart@blaney.com](mailto:gfairhart@blaney.com)>

**Sent:** Friday, January 14, 2022 9:06 AM

**To:** Stanek, Chris <[Christopher.Stanek@ca.gowlingwlg.com](mailto:Christopher.Stanek@ca.gowlingwlg.com)>; Shea, Patrick <[Patrick.Shea@ca.gowlingwlg.com](mailto:Patrick.Shea@ca.gowlingwlg.com)>

**Cc:** David T. Ullmann <[DUllmann@blaney.com](mailto:DUllmann@blaney.com)>; Alexandra Teodorescu <[ATeodorescu@blaney.com](mailto:ATeodorescu@blaney.com)>; John C. Wolf <[jwolf@blaney.com](mailto:jwolf@blaney.com)>

**Subject:** Peace Bridge Duty Free

**This message originated from outside of Gowling WLG. | Ce message provient de l'extérieur de Gowling WLG.**

Good morning,

Attached please find correspondence and enclosure from John Wolf.

Regards,

**Blaney  
McMurtry** LLP 2 Queen Street East | Suite 1500  
Toronto, Ontario M5C 3G5

Gail Fairhart

Legal Assistant to John Wolf, Brendan Jones & Janine Abuluyan

[gfairhart@blaney.com](mailto:gfairhart@blaney.com)

📞 416-593-1221 ext. 4009

🌐 [Blaney.com](http://Blaney.com)



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**SWORN REMOTELY** by Jim Pearce being located in the  
Town of Fort Erie, in the Province of Ontario, before me  
at the City of Toronto, in the Province of Ontario, on  
November 13, 2022, in accordance with O.Reg 431/20,  
administering Oath or Declaration Remotely



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Commissioner, etc.



1403

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## THE PEACE BRIDGE

# AUTHORITY INFORMATION

### ABOUT US

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Directors](#)[Office  
Location](#)[Peace  
Bridge  
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## The Buffalo and Fort Erie Public Bridge Authority

The Buffalo and Fort Erie Public Bridge Authority ("The Authority") is an international compact entity created pursuant to a compact entered into by the State of New



York, with the consent of the United States Congress, and by the Government of Canada.

The Authority is governed by a ten member Board consisting of five members from New York State and five members from Canada. The mission of the Authority is to be known as the premier Canada-United States international border crossing, providing excellence in customer service and an effective

COMMUNITY  
PROGRAMS

HISTORICAL  
TRAFFIC  
STATISTICS

MEDIA  
ROOM

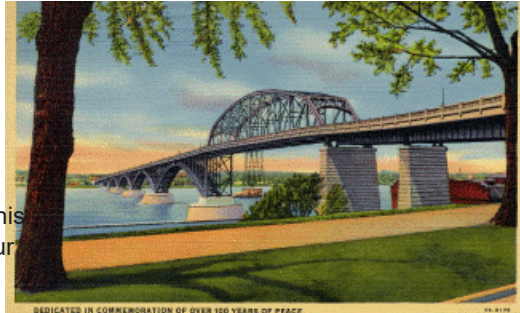
CONTACT  
US

conduit for trade and tourism.

1404

## The Peace Bridge

The Authority's principal asset and source of revenue is the Peace Bridge, a major international toll crossing spanning the Niagara River between Fort Erie, Ontario, and Buffalo, New York. The Authority also derives significant revenues



in the form of rental and fee income from the United States Bureau of Customs and Border Protection, Public Works and

Government Services Canada, United States and Canadian duty-free shops, and commercial brokers operating on the property owned by the Authority and from leases of communication conduits spanning the Peace Bridge. In addition to being a principal artery in the Niagara Frontier for travel and commerce between the United States and Canada, the Peace Bridge is a vital link to long distance, interstate travel and international trade.

## Powers

The Authority is authorized under its legislation to establish and collect such tolls and charges as are necessary to produce at all times sufficient revenues to meet its expenses of maintenance and operation, to pay, as the same shall become due, the principal of and interest on bonds of the Authority, and to fulfill the terms of any agreement made with the holders of the bonds until such bonds and the interest thereon are fully met and

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1405

Title to the property and assets of the Authority is vested in the Authority until July 1, 2020, or until all of the bonds issued by the Authority have been paid or discharged, whichever is later. Thereafter, the powers, jurisdiction, and duties of the Authority within the State of New York or within Canada shall be under the jurisdiction of the State of New York and Canada, respectively.

Since 1923, the Authority and its predecessor, the Buffalo and Fort Erie Public Bridge Company, have held pursuant to Canadian law an exclusive franchise under Canadian law to



construct and operate a bridge across the Niagara River. The law provides that "no other bridge for a like purpose shall be constructed or located

at any point nearer than six miles from the location of the bridge of [the Authority], except with the consent of [the Authority] or of the Governor in Council." By letter to the Authority dated November 30, 2004, Transport Canada confirmed the Authority's exclusive six-mile franchise.

### **Fraud Hotline**

The Authority is committed to the highest standards of business ethics and integrity. Directors, officers, and employees must represent the Authority accurately and honestly, refraining from any activity intended to defraud



anyone of money, property or services, and act in good faith and in the best interest of the Authority. Conduct not specifically addressed by these standards must be consistent with this principle.

To report a concern call the Authority's independent reporting service at 1-877-472-2110. All calls will be treated confidential and your anonymity will be protected to the extent possible by law.

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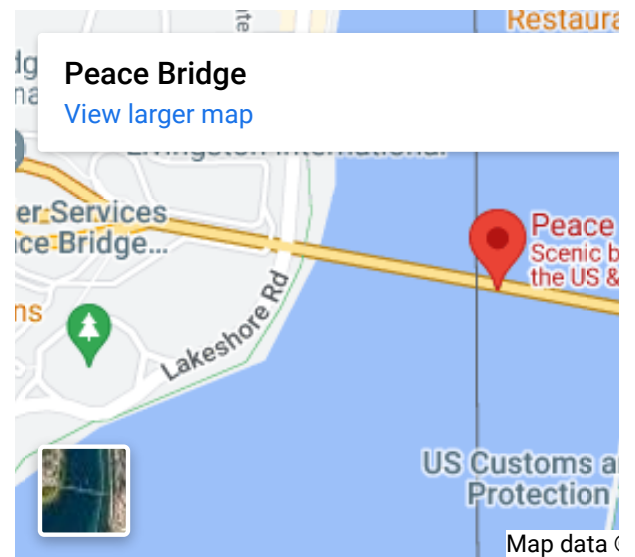
A A A

## OUR LOCATION

100 Queen	1 Peace Bridge
Street	Plaza
Fort Erie, ON	Buffalo, NY
L2A 3S6	14213 United
Canada	States



## THE PEACE BRIDGE



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Town of Fort Erie, in the Province of Ontario, before me  
at the City of Toronto, in the Province of Ontario, on  
November 13, 2022, in accordance with O.Reg 431/20,  
administering Oath or Declaration Remotely



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Commissioner, etc.



# Government announces new, targeted support to help businesses through pandemic

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From: [Department of Finance Canada](#)

## News release

**October 9, 2020 - Ottawa, Ontario - Department of Finance Canada**

The Government of Canada took immediate action to help Canadian businesses affected by the global COVID-19 pandemic, from helping keep employees on the job to increasing cash flow and providing support to help pay rent.

While some parts of our economy are recovering, others continue to struggle with reduced revenues, increased costs, and uncertainty because of the COVID-19 pandemic.

That is why today the Deputy Prime Minister and Finance Minister, the Honourable Chrystia Freeland, announced the government's intention to introduce new, targeted supports to help hard-hit businesses and other organizations experiencing a drop in revenue. The government plans to introduce legislation to provide support that would help these businesses safely get through the second wave of the virus and the winter, cover costs so they can continue to serve their communities, and be positioned for a strong recovery, including:

- The new Canada Emergency Rent Subsidy, which would provide simple and easy-to-access rent and mortgage support until June 2021 for qualifying organizations affected by COVID-19. The rent subsidy would be provided directly to tenants, while also providing support to property owners. The new rent subsidy would support businesses, charities, and non-profits that have suffered a revenue drop, by subsidizing a percentage of their expenses, on a sliding scale, up to a maximum of 65 per cent of eligible expenses until December 19, 2020. Organizations would be able to make claims retroactively for the period that began September 27 and ends October 24, 2020.
- A top-up Canada Emergency Rent Subsidy of 25 per cent for organizations temporarily shut down by a mandatory public health order issued by a qualifying public health authority, in addition to the 65 per cent subsidy. This follows a commitment in the Speech from the Throne to provide direct financial support to businesses temporarily shut down as a result of a local public health decision.
- The extension of the Canada Emergency Wage Subsidy until June 2021, which would continue to protect jobs by helping businesses keep employees on the payroll and encouraging employers to re-hire their workers. The subsidy would remain at the current subsidy rate of up to a maximum of 65 per cent of eligible wages until December 19, 2020. This measure is part of the government's commitment to create over 1 million jobs and restore employment to the level it was before the pandemic.
- An expanded Canada Emergency Business Account (CEBA), which would enable businesses, and not-for-profits eligible for CEBA loans—and that continue to be seriously impacted by the pandemic—to access an interest-free loan of up to \$20,000, in addition to the original CEBA loan of \$40,000. Half of this additional financing would be forgivable if repaid by December 31, 2022. Additionally, the application deadline for CEBA is being extended to December 31, 2020. Further details, including the launch date and application process will be announced in the coming days. An attestation of the impact of COVID-19 on the business will be required to access the additional financing.

## Quotes

"Canadian businesses and workers have shown tremendous resilience in adapting to the challenges posed by the global pandemic. With the country now in the second wave of this virus, our government knows businesses and workers need continued support. We were there to help businesses when the COVID-19 pandemic began, and we will continue to give them the support they need. As we get through this difficult situation, we will keep taking action to support our businesses, protect jobs, and keep Canadians safe and healthy."

- The Hon. Chrystia Freeland, Deputy Prime Minister and Minister of Finance

"From the very beginning of this pandemic, we spent every single day listening to business owners and responding to their urgent needs. Today's changes are a direct result of those crucial conversations, and will help even more Canadian business owners, entrepreneurs, and workers across the country. In the weeks and months ahead, we will continue to have their backs."

- The Hon. Mary Ng, Minister of Small Business, Export Promotion and International Trade

## Quick facts

- The government intends to introduce legislation to implement the new rent subsidy and the wage subsidy extension in the near future.
- Since its launch, over 3.7 million Canadians have had their jobs supported through the Canada Emergency Wage Subsidy, with more than \$41 billion paid out in subsidies as of October 4, 2020.
- Small- and medium-sized businesses are strongly represented in sectors like tourism and transportation, which continue to be significantly affected by the virus and the measures taken to contain it.
- As of early October, the Government of Canada has delivered over \$1.8 billion in rent support, through the Canada Emergency Commercial Rent Assistance (CECRA) for small businesses. Rent assistance has helped over 130,000 small businesses, supporting 1.18 million jobs in Canada.
- The new rent subsidy would pick up where the previous program left off, delivering direct, targeted, and accessible rent support to qualifying organizations affected by COVID-19 without the need to work through their landlords. It would provide a subsidy for eligible fixed property expenses, including rent and interest on commercial mortgages. Program parameters announced today apply until December 19, 2020 with future parameters in 2021 to be adapted and targeted as needed.
- Launched in April, CEBA provides zero-interest, partially forgivable loans to small businesses that have experienced diminished revenues due to COVID-19 but face ongoing costs, such as rent, utilities, insurance, taxes and employment costs. By assisting these businesses in covering their costs, CEBA is intended to help them resume normal business operations after COVID-19.
- The additional CEBA loan would effectively increase CEBA loans to \$60,000 from \$40,000 for eligible businesses, of which a total of \$20,000 would be forgiven if the balance of the loan is repaid before December 31, 2022. An attestation of the impact of COVID-19 on the business will be required to access the additional financing.
- As of early October, over 765,000 CEBA loans have been approved, representing more than \$30 billion.

## Associated links

- [Canada's COVID-19 Economic Response Plan](#)
- [DPM remarks – October 9, 2020](#)

- [Backgrounder: Extending the Canada Emergency Wage Subsidy](#)
- [Deputy Prime Minister and Minister of Finance speaking remarks on business supports](#)

1410

## Contacts

### Media may contact:

Katherine Cuplinskas

Press Secretary

Deputy Prime Minister's Office

[Katherine.Cuplinskas@dpmo-cvpm.gc.ca](mailto:Katherine.Cuplinskas@dpmo-cvpm.gc.ca)

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Department of Finance Canada

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613-369-4000

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**Date modified:**

2020-10-21

THIS IS **EXHIBIT "D"** TO  
THE AFFIDAVIT OF **JIM PEARCE**  
**SWORN REMOTELY** by Jim Pearce being located in the  
Town of Fort Erie, in the Province of Ontario, before me  
at the City of Toronto, in the Province of Ontario, on  
November 13, 2022, in accordance with O.Reg 431/20,  
administering Oath or Declaration Remotely



---

Commissioner, etc.

<b>THRP Subsidy program</b>	Period 22 Nov20 2021	Period 23 Dec18 2021	Period 24 Jan15 2022	Period 25 Feb12 2022	PP26 Mar12 2022	PP27 Apr9 2022	PP28 May7 2022
Maximum claim amount	75,000	75,000	75,000	75,000	75,000	75,000	75,000
THRP Subsidy rate	71.8%	61.8%	61.3%	75.0%	75.0%	1412 27.65%	23.15%
THRP Subsidy	53,850	46,350	45,975	56,250	56,250	20,738	17,362.50
Lockdown support	18,750	18,750	18,750	18,750	-	-	-
Total THRP Subsidy received	72,600	65,100	64,725	75,000	56,250	20,738	17,362.50
<b>PBDF</b>							
PBDF Revenues	432,391	565,466	416,763	238,878	442,366	542,511	739,975
Percentage rent paid-20%	86,478	113,093	83,353	47,776	88,473	108,502	147,995
Additional Rent-Taxes&Insurance	10,812	10,812	10,812	10,812	10,812	10,812	10,812
Total Rent paid to PBA	97,291	123,906	94,165	58,588	99,286	119,314	158,807
Net balance	(24,691)	(58,806)	(29,440)	16,412	(43,036)	(98,577)	(141,445)
Net balance paid to PBA	0	0	0	16,412	0	0	0

<b>CERS Subsidy Program</b>	Period 1 Oct24 2020	Period 2 Nov21 2020	Period 3 Dec19 2020	Period 4(11) Jan16 2021	Period 5(12) Feb13 2021	Period 6(13) Mar13 2021	Period 7(14) Apr10 2021
PBDF store max	75,000	75,000	75,000	75,000	75,000	75,000	75,000
CERS Subsidy Rate	65%	65%	65%	65%	65%	65%	65%
	48,750	48,750	48,750	48,750	48,750	48,750	48,750
Lockdown support	-	18,750	18,750	18,750	18,750	-	-
Total CERS received	48,750	67,500	67,500	67,500	67,500	48,750	48,750
Previously paid to PBA							
Additional Rent-Taxes&Insurance	(8,167)	(8,167)	(8,167)	(8,167)	(9,050)	(9,050)	(9,050)
Net balance	40,583	59,333	59,333	59,333	58,450	39,700	39,700
Remitted to PBA	43,442	59,333	58,053	59,333	58,450	39,700	39,700

<b>CERS Subsidy Program</b>	Period 8(15) May8 2021	Period 9(16) Jun5 2021	Period 10(17) Jul3 2021	Period 11(18) Jul31 2021	Period 12(19) Aug28 2021	Period 13(20) Sep25 2021	Period 14(21) Oct23 2021
PBDF store max	75,000	75,000	75,000	75,000	75,000	75,000	75,000
CERS Subsidy Rate	65%	65%	65%	60%	40%	40%	20%
	48,750	48,750	48,750	45,000	30,000	30,000	15,000
Lockdown support	-	-	-	-	-	-	-
Total CERS received	48,750	48,750	48,750	45,000	30,000	30,000	15,000
Previously paid to PBA							
Additional Rent-Taxes&Insurance	(10,812)	(10,812)	(10,812)	(10,812)	(10,812)	(10,812)	(10,812)
Net balance	37,938	37,938	37,938	34,188	19,188	19,188	4,188
Remitted to PBA	37,938	37,938	37,938	34,188	19,188	19,188	4,188

THIS IS **EXHIBIT "E"** TO  
THE AFFIDAVIT OF **JIM PEARCE**  
**SWORN REMOTELY** by Jim Pearce being located in the  
Town of Fort Erie, in the Province of Ontario, before me  
at the City of Toronto, in the Province of Ontario, on  
November 13, 2022, in accordance with O.Reg  
431/20, administering Oath or Declaration Remotely



---

Commissioner, etc.





1414

November 27, 2020

**VIA REGISTERED MAIL**

Peace Bridge Duty Free  
P.O. Box 339  
Peace Bridge Plaza  
Fort Erie, ON L2A 5N1

Attn: Gregory G. O'Hara,  
President and Chief Executive Officer

Dear Mr. O'Hara:

***RE: FORMAL NOTICE TO PERFORM – WITHOUT PREJUDICE***

Further to previous e-mail communications, in accordance with Articles 17.01 (b) and 18.03 of the lease between the Buffalo and Fort Erie Public Bridge Authority (PBA) and Peace Bridge Duty Free (PBDF), this letter constitutes formal notice by the PBA requiring PBDF to perform certain tasks stipulated in the lease.

Specifically, the PBA require PBDF to fulfill the obligations required by Article 9.02:

*(l) provide adequate public restrooms for the anticipated number of travelers using the Peace Bridge, including persons who may not be patrons of the duty free shop*

*(e) keep the leased premises clean, neat and free of hazards and fire dangers at all times*

The PBA has provided cleaning services for the restrooms the past seven months out of necessity as PBDF has refused to do so. PBA is now requiring PBDF to fulfill the obligations imposed by the lease.

As per Article 17.01 (b), PBDF has ten (10) days to rectify this failure.

Yours truly,

  
Ron Rienas  
General Manager

/ld



THIS IS **EXHIBIT "F"** TO  
THE AFFIDAVIT OF **JIM PEARCE**  
**SWORN REMOTELY** by Jim Pearce being located in the  
Town of Fort Erie, in the Province of Ontario, before me  
at the City of Toronto, in the Province of Ontario, on  
November 13, 2022, in accordance with O.Reg 431/20,  
administering Oath or Declaration Remotely



---

Commissioner, etc.

## HST remitted to PBA

Nov23/20	HST Apr-Sep2020	260,000.00	
	April		43,333.33
	May		43,333.33
	Jun		43,333.33
	Jul		43,333.33
	Aug		43,333.33
	Sep		43,333.33
Feb 2/21	HST Oct-Dec 2020	130,000.00	
	Oct		43,333.33
	Nov		43,333.33
	Dec		43,333.33
May 6/21	HST Jan-Mar 2021	130,000.00	
	Jan		43,333.33
	Feb		43,333.33
	Mar		43,333.33
July 23/21	HST Apr-Jun 2021	130,000.00	
	Apr		43,333.33
	May		43,333.33
	Jun		43,333.33
Nov 15/21	HST Jul-Sep 2021	130,000.00	
	Jul		43,333.33
	Aug		43,333.33
	Sep		43,333.33
Feb 22/22	HST Oct-Dec 2021	90,462.67	
	HST Oct Base		43,333.33
	HST Nov Base		43,333.33
	HST Dec Base		43,333.33
	HST Sep percentage paid previously		(2,539.33)
	HST Oct percentage paid previously		(8,008.00)
	HST Nov percentage paid previously		(14,222.00)
	HST Dec percentage paid previously		(14,768.00)
Jul 22/22	PBA HST adj Jan-Jun	162,708.00	
	HST Jan Base		43,333.33
	HST Jan percentage paid previously		(6,916.00)
	HST Feb Base		43,333.33
	HST Feb percentage paid previously		(8,242.00)
	HST Mar Base		43,333.33

HST Mar percentage paid previously	(14,950.00)
HST Apr Base	43,333.33
HST Apr percentage paid previously	(20,852.00)
HST May Base	43,333.33
HST May percentage paid previously	(21,840.00)
HST Jun Base	43,333.33
HST Jun percentage paid previously	(24,492.00)

THIS IS **EXHIBIT "G"** TO  
THE AFFIDAVIT OF **JIM PEARCE**  
**SWORN REMOTELY** by Jim Pearce being located in the  
Town of Fort Erie, in the Province of Ontario, before me  
at the City of Toronto, in the Province of Ontario, on  
November 13, 2022, in accordance with O.Reg 431/20,  
administering Oath or Declaration Remotely



---

Commissioner, etc.

Eunice Baltkois

1419

**Subject:** FW: Peace Bridge Duty Free

---

**From:** Stanek, Chris <[Christopher.Stanek@gowlingwlg.com](mailto:Christopher.Stanek@gowlingwlg.com)>

**Sent:** November 21, 2021 2:28 PM

**To:** Sanj Mitra <[smitra@airdberlis.com](mailto:smitra@airdberlis.com)>

**Subject:** Peace Bridge Duty Free

**CAUTION -- EXTERNAL E-MAIL - Do not click links or open attachments unless you recognize the sender.**

Mr. Mitra:

As you know, we represent the Buffalo and Fort Erie Public Bridge Authority. I am writing to advise that our client has been unable to resolve issues concerning the default of its tenant, Peace Bridge Duty Free Inc., and our client intends to exercise its remedies under the default provisions of the Lease. As you have previously requested, please accept this correspondence as advance notice of our client's intention.

Christopher Stanek

*Partner*

T +1 416 862 4369

[christopher.stanek@gowlingwlg.com](mailto:christopher.stanek@gowlingwlg.com)



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THIS IS **EXHIBIT "H"** TO  
THE AFFIDAVIT OF **JIM PEARCE**  
**SWORN REMOTELY** by Jim Pearce being located in the  
Town of Fort Erie, in the Province of Ontario, before me  
at the City of Toronto, in the Province of Ontario, on  
November 13, 2022, in accordance with O.Reg 431/20,  
administering Oath or Declaration Remotely



---

Commissioner, etc.

**From:** Jeremy Nemers <jnemers@airdberlis.com>  
**Sent:** December 14, 2021 10:53 AM  
**To:** Laurence.Pattillo@scj-csj.ca  
**Cc:** Sanj Mitra; David T. Ullmann; Alexandra Teodorescu; Shea, Patrick; Stanek, Chris  
**Subject:** Peace Bridge - Draft Order and Counsel Slip  
**Attachments:** Draft Monitorship Order (Peace Bridge)(46905307.4).doc

Good morning Your Honour,

As requested, please see the attached proposed draft Monitorship Order, together with the below counsel slip.

S. Mitra and J. Nemers for the Applicant, Royal Bank of Canada  
D. Ullmann, A. Teodorescu and A. Leigh (articling student) for the Respondent, Peace Bridge Duty Free Inc.  
P. Shea and C. Stanek for the Buffalo and Fort Erie Public Bridge Authority

Sincerely,

**Jeremy Nemers**

T 416.865.7724  
F 416.863.1515  
E jnemers@airdberlis.com

**Aird & Berlis LLP** | Lawyers  
Brookfield Place, 181 Bay Street, Suite 1800  
Toronto, Canada M5J 2T9 | airdberlis.com



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**ONTARIO  
SUPERIOR COURT OF JUSTICE  
(COMMERCIAL LIST)**

THE HONOURABLE	)	TUESDAY, THE 14TH
	)	
JUSTICE	)	DAY OF DECEMBER, 2021

**ROYAL BANK OF CANADA**

Applicant

- and -

**PEACE BRIDGE DUTY FREE INC.**

Respondent

**ORDER  
(appointing Monitor)**

**THIS APPLICATION**, made by Royal Bank of Canada ("**RBC**") for an Order pursuant to section 101 of the *Courts of Justice Act*, R.S.O. 1990, c. C.43, as amended (the "**CJA**") appointing msi Spergel inc. ("**Spergel**") as a monitor (in such capacity, the "**Monitor**") without security, of Peace Bridge Duty Free Inc. (the "**Debtor**"), was heard this day via Zoom videoconference because of the Covid-19 pandemic.

**ON READING** the affidavit of Christopher Schulze sworn December 2, 2021 and the exhibits thereto, and the affidavit of Jim Pearce sworn December 12, 2021 and on hearing the submissions of counsel for RBC, the Debtor, the Buffalo and Fort Erie Public Bridge Authority and such other counsel as were present, no one appearing for any other stakeholder although duly served as appears from the affidavit of service of Eunice Baltkois sworn December 3, 2021, and on reading the consent of Spergel to act as the Monitor,

## **SERVICE**

1. **THIS COURT ORDERS** that the time for service of this application is hereby abridged and validated so that this application is properly returnable today and hereby dispenses with further service thereof.

## **APPOINTMENT**

2. **THIS COURT ORDERS** that pursuant to section 101 of the CJA, Spergel is hereby appointed Monitor, without security, of the Debtor with the powers, rights and duties further set out herein. This Order and the appointment of the Monitor does not constitute a finding by this Court that the Debtor is insolvent.

3. **THIS COURT ORDERS AND DECLARES** that:

- (a) the Monitor shall not take possession or control, nor shall it be deemed to have taken possession or control, of the Debtor's business or the assets, property or undertaking of the Debtor (the “**Property**”), and that the Debtor shall retain all operational control of their Property, business and operations;
- (b) the Monitor shall not be and shall not be deemed to be a receiver for purposes of subsection 243(1) of the Bankruptcy and Insolvency Act (the “BIA”) or under any other statute;
- (c) the Monitor shall have none of the obligations of a receiver under Part XI of the BIA, other than section 247, and for greater certainty it shall not send notice of its appointment or this order to the Superintendent in Bankruptcy or to the known creditors of the Debtor; and
- (d) the appointment of the Monitor shall not be and shall not be deemed to be a change of control of the Debtors.

## **MONITOR'S POWERS**

4. **THIS COURT ORDERS** that the Monitor is hereby empowered and authorized, but not obligated, to act at once and, without in any way limiting the generality of the foregoing, the Monitor is hereby expressly empowered and authorized, but not obligated, to do any of the following where the Monitor considers it necessary or desirable:

- (a) to monitor the Property and any and all proceeds, receipts and disbursements arising out of or from the Property;
- (b) to take physical inventories of the Property as may be necessary or desirable;
- (c) to monitor the business of the Debtor;
- (d) to engage consultants, appraisers, agents, experts, auditors, accountants, managers, counsel and such other persons from time to time and on whatever basis, including on a temporary basis, to assist with the exercise of the Monitor's powers and duties, including without limitation those conferred by this Order;
- (e) to monitor receipts and disbursements of the Debtor;
- (f) to report to, meet with and discuss with such affected Persons (as defined below) as the Monitor deems appropriate on all matters relating to the Property, and to share information, subject to such terms as to confidentiality as the Monitor deems advisable; and
- (g) subject to the limitations in section 3 of this Order, to take any steps reasonably incidental to the exercise of these powers or the performance of any statutory obligations.

#### **DUTY TO PROVIDE ACCESS AND CO-OPERATION TO THE MONITOR**

5. **THIS COURT ORDERS** that (i) the Debtor, (ii) all of its current and former directors, officers, employees, agents, accountants, legal counsel and shareholders, and all other persons acting on its instructions or behalf, and (iii) all other individuals, firms, corporations, governmental bodies or agencies, or other entities having notice of this Order (all of the foregoing, collectively, being "**Persons**" and each being a "**Person**") shall forthwith advise the Monitor of the existence of any Property in such Person's possession or control, shall grant immediate and continued access to the Property to the Monitor.

6. **THIS COURT ORDERS** that all Persons, including but not limited to Canada Border Services Agency and Canada Revenue Agency, shall be authorized to share information, with the Monitor, provided the Debtor shall be entitled to request and receive copies of all such information from the Monitor.

#### **NO PROCEEDINGS AGAINST THE MONITOR**

7. **THIS COURT ORDERS** that no proceeding or enforcement process in any court or tribunal (each, a "**Proceeding**"), shall be commenced or continued against the Monitor except with the written consent of the Monitor or with leave of this Court.

#### **NO PROCEEDINGS AGAINST THE DEBTOR OR THE PROPERTY**

8. **THIS COURT ORDERS** that no Proceeding against or in respect of the Debtor or the Property shall be commenced or continued except with the written consent of the Monitor or with leave of this Court and any and all Proceedings currently under way against or in respect of the Debtor or the Property are hereby stayed and suspended pending further Order of this Court.

#### **NO EXERCISE OF RIGHTS OR REMEDIES**

9. **THIS COURT ORDERS** that all rights and remedies against the Debtor, the Monitor or affecting the Property are hereby stayed and suspended except with the written consent of the Monitor or leave of this Court, provided however that this stay and suspension does not apply in respect of any "eligible financial contract" as defined in the BIA, and further provided that nothing in this paragraph shall (i) empower the Debtor to carry on any business which the Debtor is not lawfully entitled to carry on, (ii) exempt the Debtor from compliance with statutory or

regulatory provisions relating to health, safety or the environment, (iii) prevent the filing of any registration to preserve or perfect a security interest, or (iv) prevent the registration of a claim for lien.

#### **NO INTERFERENCE WITH THE MONITOR**

10. **THIS COURT ORDERS** that no Person shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, licence or permit in favour of or held by the Debtor, without written consent of the Monitor or leave of this Court.

#### **CONTINUATION OF SERVICES**

11. **THIS COURT ORDERS** that all Persons having oral or written agreements with the Debtor or statutory or regulatory mandates for the supply of goods and/or services, including without limitation, all computer software, communication and other data services, centralized banking services, payroll services, insurance, transportation services, utility or other services to the Debtor are hereby restrained until further Order of this Court from discontinuing, altering, interfering with or terminating the supply of such goods or services, provided in each case that the normal prices or charges for all such goods or services received after the date of this Order are paid by the Debtor in accordance with normal payment practices of the Debtor or such other practices as may be agreed upon by the supplier or service provider and the Debtor, or as may be ordered by this Court.

#### **CASL**

12. **THIS COURT ORDERS** that any and all interested stakeholders in this proceeding and their counsel are at liberty to serve or distribute this Order, any other materials and orders as may be reasonably required in this proceeding, including any notices, or other correspondence, by forwarding true copies thereof by electronic message to such other interested stakeholders in this proceeding and their counsel and advisors. For greater certainty, any such distribution or service shall be deemed to be in satisfaction of a legal or juridical obligation, and notice requirements within the meaning of clause 3(c) of the *Electronic Commerce Protection Regulations*, Reg. 81000-2-175 (SOR/DORS).

### **LIMITATION ON THE MONITOR'S LIABILITY**

13. **THIS COURT ORDERS** that the Monitor shall incur no liability or obligation as a result of its appointment or the carrying out the provisions of this Order, save and except for any gross negligence or wilful misconduct on its part. Nothing in this Order shall derogate from the protections afforded the Monitor by section 14.06 of the BIA or by any other applicable legislation.

### **MONITOR'S ACCOUNTS**

14. **THIS COURT ORDERS** that the Monitor and counsel to the Monitor shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges unless otherwise ordered by the Court on the passing of accounts, and that the Monitor and counsel to the Monitor shall be entitled to and are hereby granted a charge (the "**Monitor's Charge**") on the Property, as security for such fees and disbursements, both before and after the making of this Order in respect of these proceedings limited to the amount of \$100,000, and that the Monitor's Charge shall form a first charge on the Property in priority to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any Person, but subject to sections 14.06(7), 81.4(4), and 81.6(2) of the BIA.

15. **THIS COURT ORDERS** that the Monitor and its legal counsel shall pass their accounts from time to time, and for this purpose the accounts of the Monitor and its legal counsel are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice.

16. **THIS COURT ORDERS** that prior to the passing of its accounts, the Monitor shall be at liberty from time to time to apply reasonable amounts, out of the monies in its hands, against its fees and disbursements, including legal fees and disbursements, incurred at the standard rates and charges of the Monitor or its counsel, and such amounts shall constitute advances against its remuneration and disbursements when and as approved by this Court.

### **SERVICE AND NOTICE**

17. **THIS COURT ORDERS** that the E-Service Protocol of the Commercial List (the "**Protocol**") is approved and adopted by reference herein and, in this proceeding, the service of documents made in accordance with the Protocol (which can be found on the Commercial List

website at <http://www.ontariocourts.ca/scj/practice/practice-directions/toronto/eservice-commercial/>) shall be valid and effective service. Subject to Rule 17.05 of the *Rules of Civil Procedure* (the "**Rules**") this Order shall constitute an order for substituted service pursuant to Rule 16.04 of the Rules. Subject to Rule 3.01(d) of the Rules and paragraph 21 of the Protocol, service of documents in accordance with the Protocol will be effective on transmission.

18. **THIS COURT ORDERS** that if the service or distribution of documents in accordance with the Protocol is not practicable, the Monitor is at liberty to serve or distribute this Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or facsimile transmission to the Debtor's creditors or other interested parties at their respective addresses as last shown on the records of the Debtor and that any such service or distribution by courier, personal delivery or facsimile transmission shall be deemed to be received on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

#### **GENERAL**

19. **THIS COURT ORDERS** that exhibit N will be removed from the Affidavit of Jim Pearce as filed and the Debtor shall file a copy of that exhibit with the Court in a sealed envelope which shall be sealed until a further order of this court. Parties to the Service List in possession of that Exhibit as served shall treat it as sealed by this court, pending a further order of this court..

20. **THIS COURT ORDERS** that the Monitor may from time to time apply to this Court for advice and directions in the discharge of its powers and duties hereunder.

21. **THIS COURT ORDERS** that nothing in this Order shall prevent the Monitor from acting as a trustee in bankruptcy of the Debtor.

22. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States to give effect to this Order and to assist the Monitor and its agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Monitor, as an officer of this

Court, as may be necessary or desirable to give effect to this Order or to assist the Monitor and its agents in carrying out the terms of this Order.

23. **THIS COURT ORDERS** that the Monitor be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order, and that the Monitor is authorized and empowered to act as a representative in respect of the within proceedings for the purpose of having these proceedings recognized in a jurisdiction outside Canada.

24. **THIS COURT ORDERS** that RBC shall have its costs of this application, up to and including entry and service of this Order, provided for by the terms of RBC's security or, if not so provided by RBC's security, then on a substantial indemnity basis to be paid by the Monitor from the Debtor's estate with such priority and at such time as this Court may determine.

25. **THIS COURT ORDERS** that any interested party, including without limitation the Debtor, may apply to this Court to vary or amend this Order or discharge the Monitor on not less than seven (7) days' notice to the Monitor, the Debtor, the Applicant and to any other party likely to be affected by the order sought or upon such other notice, if any, as this Court may order.

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ROYAL BANK OF CANADA

- and -

PEACE BRIDGE DUTY FREE INC.

1430

Applicant

Respondent

Court File No. CV-21-00673084-00CL

***ONTARIO***  
**SUPERIOR COURT OF JUSTICE**  
**(COMMERCIAL LIST)**

**Proceedings commenced at Toronto**

**ORDER**  
**(appointing Monitor)**

**AIRD & BERLIS LLP**  
Barristers and Solicitors  
Brookfield Place  
181 Bay Street, Suite 1800  
Toronto, ON M5J 2T9

**Sanj Mitra (LSO # 37934U)**  
Tel: (416) 865-3085  
Fax: (416) 863-1515  
Email: [smitra@airdberlis.com](mailto:smitra@airdberlis.com)

**Jeremy Nemers (LSO # 66410Q)**  
Tel: (416) 865-7724  
Fax: (416) 863-1515  
Email: [jnemers@airdberlis.com](mailto:jnemers@airdberlis.com)

*Lawyers for Royal Bank of Canada*

THIS IS **EXHIBIT "I"** TO  
THE AFFIDAVIT OF **JIM PEARCE**  
**SWORN REMOTELY** by Jim Pearce being located in the  
Town of Fort Erie, in the Province of Ontario, before me  
at the City of Toronto, in the Province of Ontario, on  
November 13, 2022, in accordance with O.Reg 431/20,  
administering Oath or Declaration Remotely



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Commissioner, etc.

Superior Court of Justice  
Commercial List

## FILE/DIRECTION/ORDER

Royal Bank of Canada

Plaintiff(s)

AND

Peace Bridge Duty Free Inc.

Defendant(s)

Case Management ☐ Yes ☐ No by Judge: \_\_\_\_\_

Counsel	Telephone No:	Facsimile No:
S. Mitra and J. Nemers for the Applicant, Royal Bank of Canada		
D. Ullmann and A. Teodorescu for the Respondent, Peace Bridge Duty Free Inc.		
L. Williams for the Court-appointed Monitor, msi Spergel inc. (a representative of which, M. Manchanda, was also in attendance)		
C. Stanek for the Buffalo and Fort Erie Public Bridge Authority		

☐ Order ☐ Direction for Registrar (No formal order need be taken out)

☐ Above action transferred to the Commercial List at Toronto (No formal order need be taken out)

☐ Adjourned to: \_\_\_\_\_☐ Time Table approved (as follows): \_\_\_\_\_

Based on the agreement of the parties, the landl and the Buffalo and Fort Erie Public Bridge Authority taking no position, the RBC's motion is adjourned to March 23, 2022 at 12 noon (1 hr.). I am satisfied the draft order, amending the terms of the initial appointment of the Monitor should issue. The cash flow statements of the respondent at Ex N to him Pearce's affidavit sworn December 12, 2021 and at Confidential Appendix 1 of the Monitor's report shall be sealed under further order of the court. In my view as noted in Sierra

Nov 17/22

Date

L. Williams, J.

Judge's Signature

☒ Additional Pages 1



Court File Number: CV-21-00623004-0004 <sup>1433</sup>

Superior Court of Justice  
Commercial List

FILE/DIRECTION/ORDER

Judges Endorsment Continued

Club of Canada v. Canada (Ministry of Finance), [2002] 2 S.C.R. 533, protection of private commercial information is an interest of public importance and the information sought to be protected here should be sealed to protect the risk of exposure to adverse parties - I am further satisfied the benefits of such an order outweigh its negative effects. See: *Shenman Estate v. Donovan*, 2021 SCC 25.

Order signed by me.



1434

Court File No. CV-21-00673084-00CL

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
(COMMERCIAL LIST)**

THE HONOURABLE  
JUSTICE PATTILLO

)  
)  
)

MONDAY, THE 17TH  
DAY OF JANUARY, 2022



**ROYAL BANK OF CANADA**

Applicant

- and -

**PEACE BRIDGE DUTY FREE INC.**

Respondent

**AMENDED ORDER  
(appointing Monitor)**

**THIS APPLICATION**, made by Royal Bank of Canada ("**RBC**") for an Order pursuant to section 101 of the *Courts of Justice Act*, R.S.O. 1990, c. C.43, as amended (the "**CJA**") appointing msi Spergel inc. ("**Spergel**") as a monitor (in such capacity, the "**Monitor**") without security, of Peace Bridge Duty Free Inc. (the "**Debtor**"), was heard this day via Zoom videoconference because of the Covid-19 pandemic.

**ON READING** the affidavit of Christopher Schulze sworn December 2, 2021 and the exhibits thereto, and the affidavit of Jim Pearce sworn December 12, 2021 (the "**Pearce Affidavit**") and the exhibits thereto, and on hearing the submissions of counsel for RBC, the Debtor, the Buffalo and Fort Erie Public Bridge Authority (the "**Authority**") and such other counsel as were present, no one appearing for any other stakeholder although duly served as



1435

appears from the affidavit of service of Eunice Baltkois sworn December 3, 2021, and on reading the consent of Spergel to act as the Monitor,

### **SERVICE**

1. **THIS COURT ORDERS** that the time for service of this application is hereby abridged and validated so that this application is properly returnable today and hereby dispenses with further service thereof.

### **APPOINTMENT**

2. **THIS COURT ORDERS** that pursuant to section 101 of the CJA, Spergel is hereby appointed Monitor, without security, of the Debtor with the powers, rights and duties further set out herein. This Order and the appointment of the Monitor does not constitute a finding by this Court that the Debtor is insolvent.

3. **THIS COURT ORDERS AND DECLARES** that:

- (a) the Monitor shall not take possession or control, nor shall it be deemed to have taken possession or control, of the Debtor's business or the assets, property or undertaking of the Debtor (the "**Property**"), and that the Debtor shall retain all operational control of their Property, business and operations;
- (b) the Monitor shall not be and shall not be deemed to be a receiver for purposes of subsection 243(1) of the Bankruptcy and Insolvency Act (the "**BIA**") or under any other statute;
- (c) the Monitor shall have none of the obligations of a receiver under Part XI of the BIA, other than section 247, and for greater certainty it shall not send notice of its appointment or this order to the Superintendent in Bankruptcy or to the known creditors of the Debtor; and
- (d) the appointment of the Monitor shall not be and shall not be deemed to be a change of control of the Debtors.

## **MONITOR'S POWERS**

4. **THIS COURT ORDERS** that the Monitor is hereby empowered and authorized, but not obligated, to act at once and, without in any way limiting the generality of the foregoing, the Monitor is hereby expressly empowered and authorized, but not obligated, to do any of the following where the Monitor considers it necessary or desirable:

- (a) to monitor the Property and any and all proceeds, receipts and disbursements arising out of or from the Property;
- (b) to take physical inventories of the Property as may be necessary or desirable;
- (c) to monitor the business of the Debtor;
- (d) to report to this Court at such times and intervals as the Monitor may deem appropriate with respect to matters relating to the Property or the business of the Debtor and such other matters as may be relevant to the proceedings herein;
- (e) to engage consultants, appraisers, agents, experts, auditors, accountants, managers, counsel and such other persons from time to time and on whatever basis, including on a temporary basis, to assist with the exercise of the Monitor's powers and duties, including without limitation those conferred by this Order;
- (f) to monitor receipts and disbursements of the Debtor;
- (g) to report to, meet with and discuss with such affected Persons (as defined below) as the Monitor deems appropriate on all matters relating to the Property, and to share information, subject to such terms as to confidentiality as the Monitor deems advisable;



- (h) to monitor and report on the status of negotiations between the Debtor and the Authority; and
- (i) subject to the limitations in section 3 of this Order, to take any steps reasonably incidental to the exercise of these powers or the performance of any statutory obligations.

#### **DUTY TO PROVIDE ACCESS AND CO-OPERATION TO THE MONITOR**

5. **THIS COURT ORDERS** that (i) the Debtor, (ii) all of its current and former directors, officers, employees, agents, accountants, legal counsel and shareholders, and all other persons acting on its instructions or behalf, and (iii) all other individuals, firms, corporations, governmental bodies or agencies, or other entities having notice of this Order (all of the foregoing, collectively, being "**Persons**" and each being a "**Person**") shall forthwith advise the Monitor of the existence of any Property in such Person's possession or control, shall grant immediate and continued access to the Property to the Monitor.

6. **THIS COURT ORDERS** that all Persons, including but not limited to Canada Border Services Agency and Canada Revenue Agency, shall be authorized to share information, with the Monitor, provided the Debtor shall be entitled to request and receive copies of all such information from the Monitor.

#### **NO PROCEEDINGS AGAINST THE MONITOR**

7. **THIS COURT ORDERS** that no proceeding or enforcement process in any court or tribunal (each, a "**Proceeding**"), shall be commenced or continued against the Monitor except with the written consent of the Monitor or with leave of this Court.

#### **NO PROCEEDINGS AGAINST THE DEBTOR OR THE PROPERTY**

8. **THIS COURT ORDERS** that no Proceeding against or in respect of the Debtor or the Property shall be commenced or continued except with the written consent of the Monitor or with leave of this Court and any and all Proceedings currently under way against or in respect of the Debtor or the Property are hereby stayed and suspended pending further Order of this Court.



### **NO EXERCISE OF RIGHTS OR REMEDIES**

9. **THIS COURT ORDERS** that all rights and remedies against the Debtor, the Monitor or affecting the Property are hereby stayed and suspended except with the written consent of the Monitor or leave of this Court, provided however that this stay and suspension does not apply in respect of any "eligible financial contract" as defined in the BIA, and further provided that nothing in this paragraph shall (i) empower the Debtor to carry on any business which the Debtor is not lawfully entitled to carry on, (ii) exempt the Debtor from compliance with statutory or regulatory provisions relating to health, safety or the environment, (iii) prevent the filing of any registration to preserve or perfect a security interest, or (iv) prevent the registration of a claim for lien.

### **NO INTERFERENCE WITH THE MONITOR**

10. **THIS COURT ORDERS** that no Person shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, licence or permit in favour of or held by the Debtor, without written consent of the Monitor or leave of this Court.

### **CONTINUATION OF SERVICES**

11. **THIS COURT ORDERS** that all Persons having oral or written agreements with the Debtor or statutory or regulatory mandates for the supply of goods and/or services, including without limitation, all computer software, communication and other data services, centralized banking services, payroll services, insurance, transportation services, utility or other services to the Debtor are hereby restrained until further Order of this Court from discontinuing, altering, interfering with or terminating the supply of such goods or services, provided in each case that the normal prices or charges for all such goods or services received after the date of this Order are paid by the Debtor in accordance with normal payment practices of the Debtor or such other practices as may be agreed upon by the supplier or service provider and the Debtor, or as may be ordered by this Court.



## CASL

12. **THIS COURT ORDERS** that any and all interested stakeholders in this proceeding and their counsel are at liberty to serve or distribute this Order, any other materials and orders as may be reasonably required in this proceeding, including any notices, or other correspondence, by forwarding true copies thereof by electronic message to such other interested stakeholders in this proceeding and their counsel and advisors. For greater certainty, any such distribution or service shall be deemed to be in satisfaction of a legal or juridical obligation, and notice requirements within the meaning of clause 3(c) of the *Electronic Commerce Protection Regulations*, Reg. 81000-2-175 (SOR/DORS).

## LIMITATION ON THE MONITOR'S LIABILITY

13. **THIS COURT ORDERS** that the Monitor shall incur no liability or obligation as a result of its appointment or the carrying out the provisions of this Order, save and except for any gross negligence or wilful misconduct on its part. Nothing in this Order shall derogate from the protections afforded the Monitor by section 14.06 of the BIA or by any other applicable legislation.

## MONITOR'S ACCOUNTS

14. **THIS COURT ORDERS** that the Monitor and counsel to the Monitor shall be paid their reasonable fees and disbursements by the Debtor upon presentation of such accounts to the Debtor, in each case at their standard rates and charges unless otherwise ordered by the Court on the passing of accounts, and that the Monitor and counsel to the Monitor shall also be entitled to and are hereby granted a charge (the "**Monitor's Charge**") on the Property, as security for such fees and disbursements, both before and after the making of this Order in respect of these proceedings limited to the amount of \$100,000, and that the Monitor's Charge shall form a first charge on the Property in priority to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any Person, but subject to sections 14.06(7), 81.4(4), and 81.6(2) of the BIA.

15. **THIS COURT ORDERS** that the Monitor and its legal counsel shall pass their accounts from time to time, and for this purpose the accounts of the Monitor and its legal counsel are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice.



16. **THIS COURT ORDERS** that prior to the passing of its accounts, the Monitor shall be at liberty to apply the monies received from the Debtor pursuant to paragraph 14 of this Order against its fees and disbursements, including legal fees and disbursements, incurred at the standard rates and charges of the Monitor or its counsel, and such amounts shall constitute advances against its remuneration and disbursements when and as approved by this Court.

#### **SERVICE AND NOTICE**

17. **THIS COURT ORDERS** that the E-Service Protocol of the Commercial List (the "**Protocol**") is approved and adopted by reference herein and, in this proceeding, the service of documents made in accordance with the Protocol (which can be found on the Commercial List website at <http://www.ontariocourts.ca/scj/practice/practice-directions/toronto/eservice-commercial/>) shall be valid and effective service. Subject to Rule 17.05 of the *Rules of Civil Procedure* (the "**Rules**") this Order shall constitute an order for substituted service pursuant to Rule 16.04 of the Rules. Subject to Rule 3.01(d) of the Rules and paragraph 21 of the Protocol, service of documents in accordance with the Protocol will be effective on transmission.

18. **THIS COURT ORDERS** that if the service or distribution of documents in accordance with the Protocol is not practicable, the Monitor is at liberty to serve or distribute this Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or facsimile transmission to the Debtor's creditors or other interested parties at their respective addresses as last shown on the records of the Debtor and that any such service or distribution by courier, personal delivery or facsimile transmission shall be deemed to be received on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

#### **GENERAL**

19. **THIS COURT ORDERS** that exhibit N will be removed from the Pearce Affidavit as filed and the Debtor shall file a copy of that exhibit with the Court in a sealed envelope which shall be sealed until a further order of this Court. Parties to the Service List in possession of that exhibit as served shall treat it as sealed by this Court, pending a further order of this Court.



20. **THIS COURT ORDERS** that Confidential Appendix “1” to the First Report of the Monitor, dated January 14, 2022 shall be sealed and kept confidential pending further order of this Court.
21. **THIS COURT ORDERS** that the Monitor may from time to time apply to this Court for advice and directions in the discharge of its powers and duties hereunder.
22. **THIS COURT ORDERS** that nothing in this Order shall prevent the Monitor from acting as a trustee in bankruptcy of the Debtor.
23. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States to give effect to this Order and to assist the Monitor and its agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order or to assist the Monitor and its agents in carrying out the terms of this Order.
24. **THIS COURT ORDERS** that the Monitor be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order, and that the Monitor is authorized and empowered to act as a representative in respect of the within proceedings for the purpose of having these proceedings recognized in a jurisdiction outside Canada.
25. **THIS COURT ORDERS** that RBC shall have its costs of this application, up to and including entry and service of this Order, provided for by the terms of RBC’s security or, if not so provided by RBC’s security, then on a substantial indemnity basis to be paid by the Debtor with such priority and at such time as this Court may determine.
26. **THIS COURT ORDERS** that the balance of the relief sought by RBC in this application be and is adjourned until March 23, 2022 at noon (one-hour hearing), provided, however that the Debtor satisfies the following conditions at all times:

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- (a) the Debtor shall continually replenish its inventory to ensure that at no time does the total book value of its inventory go below \$1,175,000;
- (b) the Debtor shall ensure that at no time does the cash balance in the Debtor's account administered by RBC (the "**Account**") go below \$850,000 (the "**Minimum Balance**"); and
- (c) the Debtor provides the Monitor and RBC the following information:
  - (i) on a bi-weekly basis, an updated projected cash flow statement; and
  - (ii) on a monthly basis, an income statement and balance sheet along with a variance analysis disclosing actual results to the projections with an explanation of any variance.

27. **THIS COURT ORDERS** that RBC be and is hereby authorized to place a hold on the Account in the amount of the Minimum Balance.

28. **THIS COURT ORDERS** that any interested party, including, without limitation, RBC and the Debtor, may apply to this Court to vary or amend this Order or discharge the Monitor on not less than seven (7) days' notice to the Monitor, the Debtor, RBC and any other party likely to be affected by the order sought or upon such other notice, if any, as this Court may order.

  
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ROYAL BANK OF CANADA

- and -

PEACE BRIDGE DUTY FREE INC.

Applicant

Respondent

Court File No. CV-21-00673084-00CL

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
(COMMERCIAL LIST)**

Proceedings commenced at Toronto

**AMENDED ORDER  
(appointing Monitor)**

**AIRD & BERLIS LLP**  
Barristers and Solicitors  
Brookfield Place  
181 Bay Street, Suite 1800  
Toronto, ON M5J 2T9

**Sanj Mitra (LSO # 37934U)**  
Tel: (416) 865-3085  
Fax: (416) 863-1515  
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**Jeremy Nemers (LSO # 66410Q)**  
Tel: (416) 865-7724  
Fax: (416) 863-1515  
Email: [jnemers@airdberlis.com](mailto:jnemers@airdberlis.com)

*Lawyers for Royal Bank of Canada*

THIS IS **EXHIBIT "J"** TO  
THE AFFIDAVIT OF **JIM PEARCE**  
**SWORN REMOTELY** by Jim Pearce being located in the  
Town of Fort Erie, in the Province of Ontario, before me  
at the City of Toronto, in the Province of Ontario, on  
November 13, 2022, in accordance with O.Reg 431/20,  
administering Oath or Declaration Remotely



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Commissioner, etc.

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
(COMMERCIAL LIST)**

THE HONOURABLE MR.

)

WEDNESDAY, THE 23<sup>rd</sup>

JUSTICE PENNY

)

DAY OF MARCH, 2022

)

**ROYAL BANK OF CANADA**

Applicant

- and -

**PEACE BRIDGE DUTY FREE INC.**

Respondent

**ORDER**

**THIS APPLICATION**, made by Royal Bank of Canada ("**RBC**") for, amongst other things, an Order pursuant to section 101 of the *Courts of Justice Act*, R.S.O. 1990, c. C.43, as amended (the "**CJA**") appointing msi Spergel inc. ("**Spergel**") as a monitor (in such capacity, the "**Monitor**") without security, of Peace Bridge Duty Free Inc. (the "**Debtor**"), was heard this day via Zoom videoconference because of the Covid-19 pandemic.

**ON READING** the affidavit of Christopher Schulze sworn December 2, 2021 and the exhibits thereto, the affidavit of Jim Pearce sworn December 12, 2021 and the exhibits thereto and the Second Report of the Monitor dated March 21, 2022 and the appendices thereto (the "**Second Report**"), and on hearing the submissions of counsel for RBC, the Monitor, the Debtor, the Buffalo and Fort Erie Public Bridge Authority (the "**Authority**") and such other counsel as



were present, no one appearing for any other stakeholder although duly served as appears from the affidavit of service of Eunice Baltkois sworn December 3, 2021,

1. **THIS COURT ORDERS** that the balance of the relief sought by RBC in its application be and is hereby adjourned to a date on or after June 23, 2022 to be set by the Court, subject to the terms of the Amended Order (Appointing Monitor) of The Honourable Mr. Justice Pattillo dated January 17, 2022 (the “**Amended Order**”), which is further amended as follows:

- (a) the requirement to establish a Minimum Balance (as defined at paragraph 26(b) of the Amended Order) be and is hereby deleted and replaced with the following:
- (b) the Debtor shall use the sum of \$850,000 in its account administered by RBC to purchase a Guaranteed Investment Certificate for a term of three months (“**GIC**”), which GIC shall be used as additional security by RBC subject to a Cash Collateral Agreement in a form satisfactory to RBC.

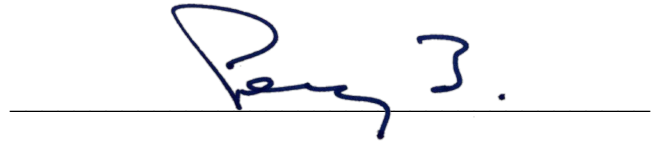
2. **THIS COURT ORDERS** that paragraph 27 of the Amended Order be and is hereby deleted.

3. **THIS COURT ORDERS** that the First Report of the Monitor dated January 14, 2022, the Second Report and the activities, decisions, and conduct of the Monitor as set out therein are hereby authorized and approved.

4. **THIS COURT ORDERS** that the professional fees and disbursements of the Monitor for the period to January 31, 2022, in the amount of \$27,452.00 and Harmonized Sales Tax (“**HST**”) of \$3,568.76, for a total of \$31,020.76, as further set out in the Second Report and the Manchanda Affidavit, are hereby approved.

5. **THIS COURT ORDERS** that the professional fees and disbursements of Thornton Grout Finnigan LLP, counsel to the Monitor, for the period January 31, 2022, in the amount of \$15,410.00, plus disbursements in the amount of \$5.32, and HST of \$2,003.30, for a total of \$17,418.62, as further set out in the Second Report and the Williams Affidavit, are hereby approved.

6. **THIS COURT ORDERS** that the cash flow forecast appended to the Second Report be sealed, kept confidential and not form part of the public record, but rather be placed, separate and apart from all other contents of the Court file, in a sealed envelope attached to a notice which sets out the title of these proceedings and a statement that the contents are subject to a sealing order.

A handwritten signature in blue ink, appearing to read "Peng 3.", is written over a horizontal line. The signature is stylized, with the first part resembling "Peng" and the second part being a large "3" followed by a period.

ROYAL BANK OF CANADA

- and -

PEACE BRIDGE DUTY FREE INC.

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Applicant

Respondent

Court File No. CV-21-00673084-00CL

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
(COMMERCIAL LIST)**

**Proceedings commenced at Toronto**

**ORDER**

**AIRD & BERLIS LLP**  
Barristers and Solicitors  
Brookfield Place  
181 Bay Street, Suite 1800  
Toronto, ON M5J 2T9

**Sanj Mitra (LSO # 37934U)**  
Tel: (416) 865-3085  
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**Jeremy Nemers (LSO # 66410Q)**  
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*Lawyers for Royal Bank of Canada*

**From:** Penny, Mr. Justice Michael A. (SCJ)  
**Sent:** Wed, 23 Mar 2022 11:22:50 +0000  
**To:** Leanne Williams; Ariyana Botejue  
**Cc:** David T. Ullmann; Alexandra Teodorescu; JUS-G-MAG-CSD-Toronto-SCJ Commercial List; JUS-G-MAG-CSD-Toronto-SCJ Commercial List; 'christopher.stanek@gowlingwlg.com'; 'patrick.shea@gowlingwlg.com'; 'smitra@airdberlis.com'; 'jнемers@airdberlis.com'  
**Subject:** RE: Royal Bank of Canada v. Peace Bridge Duty Free Inc. (CV-21-00673084-00CL) – Consent Order for March 23, 2022 [IMAN-CLIENT.FID151627]  
**Attachments:** 2022-03-23 -Peace Bridge Order.pdf

### Endorsement of Penny J.

The debtor's request for an adjournment on terms is reasonable and is not opposed. I am satisfied that the proposed amendments to the prior order are appropriate and reflect the current circumstances. The cash flow projections also support the conclusion that the business is viable until the proposed return date. The Monitor's second report is approved. The fees of the Monitor and its counsel are reasonable and are approved. Order to issue in the form signed by me this day.

Mr. Justice Michael A. Penny

---

**From:** Leanne Williams <LWilliams@tgf.ca>  
**Sent:** March 22, 2022 2:40 PM  
**To:** Penny, Mr. Justice Michael A. (SCJ) <Michael.Penny@scj-csj.ca>; Ariyana Botejue <ABotejue@blaney.com>  
**Cc:** David T. Ullmann <DUllmann@blaney.com>; Alexandra Teodorescu <ATeodorescu@blaney.com>; JUS-G-MAG-CSD-Toronto-SCJ Commercial List <MAG.CSD.To.SCJCom@ontario.ca>; JUS-G-MAG-CSD-Toronto-SCJ Commercial List <MAG.CSD.To.SCJCom@ontario.ca>; 'christopher.stanek@gowlingwlg.com' <christopher.stanek@gowlingwlg.com>; 'patrick.shea@gowlingwlg.com' <patrick.shea@gowlingwlg.com>; 'smitra@airdberlis.com' <smitra@airdberlis.com>; 'jнемers@airdberlis.com' <jнемers@airdberlis.com>  
**Subject:** RE: Royal Bank of Canada v. Peace Bridge Duty Free Inc. (CV-21-00673084-00CL) – Consent Order for March 23, 2022 [IMAN-CLIENT.FID151627]

Your Honour,

Attached is the Second Report of the Monitor together with a slightly revised Order (blackline attached) which is also available on CaseLines. If you would like to review the confidential appendix, I will send same to you under separate cover.

Leanne

Leanne M. Williams | | [LWilliams@tgf.ca](mailto:LWilliams@tgf.ca) | Direct Line +1 416 304 0060 | Suite 3200, TD West Tower, 100 Wellington Street West, P.O. Box 329, Toronto-Dominion Centre, Toronto, Ontario M5K 1K7 | 416-304-1616 | Fax: 416-304-1313 | [www.tgf.ca](http://www.tgf.ca)

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**From:** Penny, Mr. Justice Michael A. (SCJ) <[Michael.Penny@scj-csj.ca](mailto:Michael.Penny@scj-csj.ca)>  
**Sent:** Tuesday, March 22, 2022 2:17 PM  
**To:** Ariyana Botejue <[ABotejue@blaney.com](mailto:ABotejue@blaney.com)>  
**Cc:** David T. Ullmann <[DULLmann@blaney.com](mailto:DULLmann@blaney.com)>; Alexandra Teodorescu <[ATeodorescu@blaney.com](mailto:ATeodorescu@blaney.com)>; JUS-G-MAG-CSD-Toronto-SCJ Commercial List <[MAG.CSD.To.SCJCom@ontario.ca](mailto:MAG.CSD.To.SCJCom@ontario.ca)>; JUS-G-MAG-CSD-Toronto-SCJ Commercial List <[MAG.CSD.To.SCJCom@ontario.ca](mailto:MAG.CSD.To.SCJCom@ontario.ca)>; 'christopher.stanek@gowlingwlg.com' <[christopher.stanek@gowlingwlg.com](mailto:christopher.stanek@gowlingwlg.com)>; 'patrick.shea@gowlingwlg.com' <[patrick.shea@gowlingwlg.com](mailto:patrick.shea@gowlingwlg.com)>; 'smitra@airdberlis.com' <[smitra@airdberlis.com](mailto:smitra@airdberlis.com)>; 'jnemers@airdberlis.com' <[jnemers@airdberlis.com](mailto:jnemers@airdberlis.com)>; Leanne Williams <[LWilliams@tgf.ca](mailto:LWilliams@tgf.ca)>  
**Subject:** RE: Royal Bank of Canada v. Peace Bridge Duty Free Inc. (CV-21-00673084-00CL) – Consent Order for March 23, 2022

Mr. Ullman,

Subject to any dissenting voices, and to the receipt of the Receiver's report, I am not inclined to require an attendance on the 23<sup>rd</sup>. If I have questions, I can ask for a brief attendance to discuss them. If not, I will deal with it in writing. From my perspective, therefore, the March 23 attendance can be vacated.

Mr. Justice Michael A. Penny

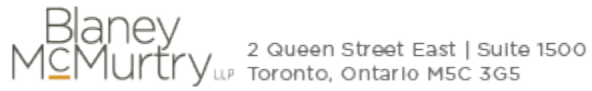
---

**From:** Ariyana Botejue <[ABotejue@blaney.com](mailto:ABotejue@blaney.com)>  
**Sent:** March 21, 2022 3:36 PM  
**To:** Penny, Mr. Justice Michael A. (SCJ) <[Michael.Penny@scj-csj.ca](mailto:Michael.Penny@scj-csj.ca)>  
**Cc:** David T. Ullmann <[DULLmann@blaney.com](mailto:DULLmann@blaney.com)>; Alexandra Teodorescu <[ATeodorescu@blaney.com](mailto:ATeodorescu@blaney.com)>; JUS-G-MAG-CSD-Toronto-SCJ Commercial List <[MAG.CSD.To.SCJCom@ontario.ca](mailto:MAG.CSD.To.SCJCom@ontario.ca)>; JUS-G-MAG-CSD-Toronto-SCJ Commercial List <[MAG.CSD.To.SCJCom@ontario.ca](mailto:MAG.CSD.To.SCJCom@ontario.ca)>; 'christopher.stanek@gowlingwlg.com' <[christopher.stanek@gowlingwlg.com](mailto:christopher.stanek@gowlingwlg.com)>; 'patrick.shea@gowlingwlg.com' <[patrick.shea@gowlingwlg.com](mailto:patrick.shea@gowlingwlg.com)>; 'smitra@airdberlis.com' <[smitra@airdberlis.com](mailto:smitra@airdberlis.com)>; 'jnemers@airdberlis.com' <[jnemers@airdberlis.com](mailto:jnemers@airdberlis.com)>; Leanne Williams <[LWilliams@tgf.ca](mailto:LWilliams@tgf.ca)>  
**Subject:** Royal Bank of Canada v. Peace Bridge Duty Free Inc. (CV-21-00673084-00CL) – Consent Order for March 23, 2022

Your Honour,

Attached, please find correspondence from Mr. Ullmann.

Thank you,



Ariyana Botejue  
Legal Assistant to Stephen Gaudreau & David Ullmann

[abotejue@blaney.com](mailto:abotejue@blaney.com)

📞 416-593-1221 ext. 4777

🌐 [Blaney.com](http://Blaney.com)



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THIS IS **EXHIBIT "K"** TO  
THE AFFIDAVIT OF **JIM PEARCE**  
**SWORN REMOTELY** by Jim Pearce being located in the  
Town of Fort Erie, in the Province of Ontario, before me  
at the City of Toronto, in the Province of Ontario, on  
November 13, 2022, in accordance with O.Reg 431/20,  
administering Oath or Declaration Remotely



---

Commissioner, etc.

**From:** John C. Wolf  
**Sent:** June 9, 2022 10:55 AM  
**To:** Leanne Williams; :mmanchanda@spergel.ca  
**Cc:** David T. Ullmann  
**Subject:** FW: Peace Bridge Duty Free Inc (PBDF) and Peace Bridge Authority (PBA)- status report to Monitor made June 9th 2022  
**Attachments:** PBA\_Board\_May\_2022.docx  
**Follow Up Flag:** Follow up  
**Flag Status:** Completed

Greetings Leanne & Mukal,

Further to our recent telephone call we:

1. Confirm the information in our earlier report ( reproduced below) remains accurate, except for highlighted areas where we provide updates below.
2. The Federal budget did not address the duty free industry or this tenancy.
3. Covid supports through out the economy were terminated in or about May 2022.
4. Sales at the PBDF have risen to more or less 50% of pre-pandemic sales, continuing a favorable trend of recovery.
5. Tour bus sales have unfortunately decreased from about 10% to close to nil because of border restriction issues .
6. Government restrictions including:
  - a. ArriveCan obligations for Canadian citizens which program has proven very difficult for persons who are not computer savvy, and an inconvenience to all;
  - b. Prohibition on unvaccinated tourists crossing into Canada at land borders( which excludes about 40% plus of travelers from the USA from being able to enter Canada;
  - c. Omicrom uncertainty;
  - d. Conflicting advisories by various levels of governments in both countries, have all contributed to a reduction in the growth of sales.
7. Inflation , especially gas but also general inflation, is a real deterrent to cross border discretionary travel as ordinary families wealth disposal income is destroyed .
8. FDFA lobbying efforts continue visa vis federal and provincial governments culminating in a :Hill Day” series of meetings in Ottawa with MPs on June 6th- 7<sup>th</sup> to highlight duty free industry issues and needs. Specifically, the MPs were requested by the FDFA to support a \$20 million industry rescue package.
9. PBDF was in attendance and spoke with CBSA (Canada Border Services Agency) who advised that no new licences would be available until into 2023 meaning that PBA’s threats to terminate the licence may be over-reaching. .
10. MP Battaway( associated with the Transportation Ministry) suggested a three way meeting with the PBA, PBDF( & FDFA) and the government; and floated the idea of the government guaranteeing a long term low interest loan. The PMO had a representative in attendance and supported the initiative. This is the first real “crack” vis a vis a verbal commitment to do a specific thing- even if that things is presently unstructured, and we are facilitating a proposed structured process which we hope will result in exchanges of proposals between stakeholders with concessions to set a framework for a resolution ; and once achieved, also a facilitated meeting of stake holders to attempt to reach a consensus
11. As you may recall FDFA has requested and been invited to provide presentations to the PBA. FDFA provided statistical information not in the public sphere about the industry’s performance. These stats emphasized the PBDF is in the top half of duty free shop performers. FDFA reiterated its suggestion of offering to jointly lobby MPs with the PBA. Attached are the presentations/notes for the May 27<sup>th</sup> attendance at the PBA Board meetings. The meeting with MP Battaway(



who as noted above is associated with the MOT and appointed the actual PBA directors and knows the GM) is the first step in this regard.

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12. FDFA indicates that it expects within about 3 months of Hill Day that the industry will know if the Federal government will also assist the industry too and in what manner.
13. The PBA has clearly taken a wait and see approach to arrears and rent, while reserving its contractual and statutory rights of lease termination- which as previously noted the tenant is of the view is subject to a contractual obligation to modify rent in the event of business interruption.

Blaney is of the view that the court attendance should be deferred for 3- 4 months( with a right to return it earlier at any parties initiative) to allow PBDF/MOT & FDFA initiatives to play out; and for the trend in respect of sales to be better informed by actual results. This preserves the stay which is fundamental to a resolution of tenancy issues

Blaney is also of the view that the silence from the PBA is an implicit recognition of its contentment with the status quo.

We would be pleased to speak with you in more detail about these matter, or to provide any further information that may assist you.

Regards,

**Blaney  
McMurtry** LLP 2 Queen Street East | Suite 1500  
Toronto, Ontario M5C 3G5

John C. Wolf

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**From:** John C. Wolf

**Sent:** March 10, 2022 4:02 PM

**To:** 'Leanne Williams' <[LWilliams@tgf.ca](mailto:LWilliams@tgf.ca)>; Mukul Manchanda ([mmanchanda@spergel.ca](mailto:mmanchanda@spergel.ca))  
<[mmanchanda@spergel.ca](mailto:mmanchanda@spergel.ca)>

**Cc:** David T. Ullmann <[DUllmann@blaney.com](mailto:DUllmann@blaney.com)>

**Subject:** FW: Peace Bridge Duty Free Inc (PBDF) and Peace Bridge Authority (PBA)- status report March 10th, 2022

Greetings Leanne & Mukal,

Further to our recent telephone call we attach for your information and records:

1. Three letters from the FDFA to the PBA and two replies(see footnote below)
2. Email from Treasury Board to FDFA re federal landlords and CECRA( the initial rent relief program waiving 75% of rent) 1455

We also confirm our information as follows:

- Gowling has not communicated with me since my letter in mid January 2022
- Gowlings has not threatened the tenant with lease enforcement since that letter
- PBDF advises:
  - that no monies have been paid to any shareholder of the PBDF since the pandemic began
  - Greg O'Hara has deferred receipt of any employment income from the PBDF since the pandemic began
  - 100% of all rent related government assistance received has been paid to the PBA
  - In addition, those sums have been topped up so that 20% of gross sales have been paid to PBA
  - All forbearance commitments to RBC have been honoured
  - Sales are about 35% of pre -covid sales
  - Sales are less than that as compared to assumptions underlying minimum rent of 20% of gross sales when the lease was negotiated
  - 2022 and 2023 rent will need to be at 20% of percentage gross sales
- FDFA advises:
  - It has had several meetings and discussions with various elected and senior ministerial employees and the Ministry of Transportation has assigned a staffer to brief the minister
  - Treasury Board has been similarly engaged
  - The PMO has also been similarly engaged and a staffer has been assigned to investigate. In addition, the PMO has directed the senior staffer responsible for Cdn-USA border issues to meet with the FDFA and to communicate with the government of the State of New York
  - It has contacted the Premier's office and a staffer is being assigned to co-ordinate with the FDFA
  - It has met with at least 10 individual MP's who are associated with the MOT or local to the region or otherwise connected to frontier issues
  - Its goal is to influence the New York and Cdn government/PMO/MOT to direct the PBA board of directors to conclude a lease amending agreement (LAA) with the PBDF that is capable of being honoured
  - Its meetings with elected politicians and senior bureaucrats have been well received and there is considerable sympathy for the PBDF
  - Specifically, both PBA and FDFA are asking the government to allocate funds to the PBA in respect of PBDF rent
  - The FDFA is asking for a broad relief package for FDFA members and a specific payment in addition to PBDF for rent support
  - It hopes that it's lobbying will result in direction to the PBA board ( 5 Cdn and 5 USA) appointed directors to negotiate a lease amending agreement
  - Once the Federal budget is finalized and announced (and the PBA knows what funds if any it will receive) a mediation should take place to fix a LAA
- The FDFA/PBDF "Value Proposition " has three components:
  - In the event of lease termination 100% of rent arrears will be forfeited- PBDF has conceptually offered to pay some fixed amount of arrears over the balance of the term of the lease, although this tied to gross revenue and future rent obligations

1456

- Any termination and RFP for a replacement operator will likely take a minimum of 6 months- meaning a loss of rent at 20% of gross sales and probably longer
  - The duty-free amenity to travellers will be interrupted
  - Alternate arrangements will be needed to process trucker's immigration needs and toilet needs
  - Employment for all PBDF employees will be lost
  - Any prudent replacement tenant will not agree to the same lease terms as the business can not be profitable with a fixed minimum rent for the foreseeable future; and most new leases provide for free rent periods and tenant allowances- the PBDF is not seeking any rent-free period/allowance and will likely pay greater rent than any replacement tenant
  - PBDF a 30-year business will not be destroyed by the federal government who ordered the travel ban which destroyed business opportunities, created a rent relief program inadequate to pay rent; and therefore, is the architect of the business failure
- The Commercial Tenancy Act currently has an eviction moratorium in place through April- which may be extended
  - The Lease obligated the PBA to communicate with the PBDF if business is interrupted. PBDF is of the view that the PBA has not fulfilled its contractual obligations in this regard
  - The PBA's options are quite limited- either negotiate a LAA or attempt to obtain judicial authorization to terminate the lease when all stays expire

Please contact Blaney should you wish additional information.

Regards,

John

P.S. since we spoke we received a 3<sup>rd</sup> PBA letter attached

**Blaney  
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THIS IS **EXHIBIT "L"** TO  
THE AFFIDAVIT OF **JIM PEARCE**  
**SWORN REMOTELY** by Jim Pearce being located in the  
Town of Fort Erie, in the Province of Ontario, before me  
at the City of Toronto, in the Province of Ontario, on  
November 13, 2022, in accordance with O.Reg 431/20,  
administering Oath or Declaration Remotely



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Commissioner, etc.

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**From:** David T. Ullmann  
**Sent:** November 4, 2022 5:19 PM  
**To:** 'LWilliams@tgf.ca'; Mukul Manchanda  
**Cc:** 'Jim Pearce'; Greg O'Hara; John C. Wolf  
**Subject:** November Results  
**Attachments:** Blaney-Monitor report-Cashflow-Nov3rd.pdf; Blaney-Monitor report-Financials Oct2022.pdf

**Follow Up Flag:** Follow up  
**Flag Status:** Completed

Leanne,

Here are the monthly report and cash flow from our client. As you can see, our client continues to meet the thresholds in the Order. Let me know if you have any concerns.

Have a nice weekend.

Regards,

David

David T. Ullmann  
Partner

[dullmann@blaney.com](mailto:dullmann@blaney.com)

📞 416-596-4289 | 📠 416-594-2437

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**From:** Jim Pearce <JimP@dutyfree.ca>  
**Sent:** November 3, 2022 3:37 PM  
**To:** David T. Ullmann <DULLmann@blaney.com>; John C. Wolf <jwolf@blaney.com>; Greg O'Hara <gohara@dutyfree.ca>; Greg O'Hara (Sympatico) <gregohara@sympatico.ca>  
**Subject:** Updates & Call time

David, the two Monitor reports are attached - the Nov3rd Cashflow&Inventory report and the October Financials.

Best,

Jim

Peace Bridge Duty Free - Nov 3rd Report

Cashflow Report

	Oct 16-29			(000's)			
	Projected	Actual	Variance	w/e Nov5	w/e Nov12	w/e Nov19	w/e Nov26
Bank balance-opening	1,995	1,995		1,961	1,693	1,803	1,742
Receipts (Sales)	525	540	15	250	275	250	225
<b>Total receipts</b>	<b>525</b>	<b>540</b>		<b>250</b>	<b>275</b>	<b>250</b>	<b>225</b>
Cash requirements							
Trade payables	475	394	81	200	100	225	100
Rent-Percentage	-	-	-	243	-	-	-
Rent-CAM costs	10	10	-	-	-	-	10
Rent-HIA	-	-	-	-	-	10	-
Wages&Benefits	40	40	1	40	25	25	25
Payroll remittances	-	-	-	-	-	25	-
RBC Lease payment	77	77	-	-	-	-	-
HASCAP payment	4	4	0	-	-	-	11
Professional fees	25	31	(6)	-	25	-	25
Insurance	-	-	-	-	-	11	-
Misc payments/expenses	30	20	10	35	15	15	15
<b>Total payments</b>	<b>661</b>	<b>575</b>		<b>518</b>	<b>165</b>	<b>311</b>	<b>186</b>
<b>Bank balance-ending</b>	<b>1,859</b>	<b>1,961</b>	<b>102</b>	<b>1,693</b>	<b>1,803</b>	<b>1,742</b>	<b>1,781</b>

**Notes:**  
Bank balance is net of \$850,000 held by RBC in a GIC and is net of cash collateral of \$625,900 held by the RBC.

Sales are projected at the current trend of down 50% of pre-pandemic levels. Actual sales may be greater depending on return of ordinary traffic and changes to government border policies.

Cashflow report does not account for possible receipt of tax refunds, returns, or amounts as due as a result of any reassessment of taxes paid or amounts received as timing and amounts are uncertain. Any such amounts would increase cash available for operations.

Rent is calculated at 20% of sales in accordance with past practice. Cash flow does not account for payment of rent arrears, to the extent of such arrears exist or are agreed to be paid. Negotiations with the landlord continue.

Professional fees assume the continuation of consensual negotiations in accordance with recent past practice. In the event there are contested issues requiring return to court or the need for a mediation, the professional fee spend could increase materially in response.

Inventory Report

	Oct 16-29			(000's)			
	Projected	Actual	Variance	w/e Nov5	w/e Nov12	w/e Nov19	w/e Nov26
Inventory-opening	1,209	1,209		1,258	1,316	1,286	1,269
Cost of Goods Sold	(247)	(254)		(118)	(129)	(118)	(106)
Purchases	275	303		175	100	100	125
<b>Inventory-ending</b>	<b>1,237</b>	<b>1,258</b>	<b>21</b>	<b>1,316</b>	<b>1,286</b>	<b>1,269</b>	<b>1,288</b>

**Peace Bridge Duty Free Inc.**  
**Income Statement**  
**Year-to-Date October 31, 2022**

<b>Sales</b>	8,624,306
Cost of Sales	<u>3,840,815</u>
<b>Gross Margin</b>	<u>4,783,491</u>
<b>Store Expenses</b>	
Rent	1,724,861
Wages & Benefits	963,347
Professional Fees	240,000
Insurance	150,000
Commercial Taxes	58,904
Utilities	67,982
Marketing	44,195
Store Supplies	52,133
Maintenance	52,890
Collection Fees	138,454
Computer Expense	29,750
Communications	21,152
Other Admin Expenses	36,375
	<u>3,580,043</u>
<b>Other Income</b>	
Gov't Subsidies-Rent 2021	141,472
Gov't Subsidies-Wages 2021	92,224
Gov't Subsidies-Rent 2022	245,636
Gov't Subsidies-Wages 2022	173,556
Misc Income	<u>241,641</u>
	<u>894,529</u>
<b>Operating Income</b>	2,097,977
RBC Lease Interest	132,197
HASCAP Interest	<u>34,064</u>
<b>EBITA</b>	1,931,716
Amortization	400,000
Corporate Taxes	<u>270,000</u>
<b>Net Income</b>	<u><u>1,261,716</u></u>

**Peace Bridge Duty Free Inc.**  
**Balance Sheet**  
**As at October 31, 2022**

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<b>Assets</b>	
<b>Current</b>	
Cash and equivalents	2,326,779
RBC-GIC	1,475,900
Misc Receivables	251,234
Inventory	1,214,613
Prepaid expenses	<u>307,461</u>
	5,575,987
<b>Long-term</b>	
Lease security deposit	50,000
Equipment and leaseholds	7,581,070
Less Accumulated Depreciation	<u>(2,244,754)</u>
	5,336,316
Future income taxes	<u>213,000</u>
	<u><u>11,175,303</u></u>
<b>Liabilities</b>	
<b>Current</b>	
Accounts payables	517,652
Rent payable	6,319,526
Accruals	<u>581,907</u>
	7,419,085
<b>Long-term</b>	
RBC Capital Lease	3,288,992
HASCAP Loan	1,000,000
<b>Shareholders' equity</b>	
Common Stock	21,000
Dividends	0
Current earnings	1,261,716
Retained earnings	<u>(1,815,489)</u>
	(532,773)
	<u><u>11,175,303</u></u>