

Airport Lands Joint Venture Agreement

Between:

KITSELAS FIRST NATION, an Indian Band as defined by the Indian Act having an address at 2225 Gitaus Road, Terrace, BC, V8G 0A9 Canada

("Kitselas")

and

THE CITY OF TERRACE, a municipal corporation under the *Community Charter* and *Local Government Act* having its municipal office and postal address at 3215 Eby Street, Terrace, BC, V8G 2X8 Canada

("Terrace" or the "City"),

(the "Parties")

RECITALS

- A. Kitselas First Nation and the City of Terrace entered into a Memorandum of Understanding in January 2007 to secure the transfer of the lands shown on Appendix A and referred to in this Agreement as the "Airport Lands". The Airport Lands are inclusive of the Skeena Industrial Development Park and Groundside Commercial Lands.
- B. Kitselas First Nation and the City of Terrace wish to implement the commitments in the Memorandum of Understanding and further develop their business relationship through this Joint Venture Agreement and a Revenue Sharing Agreement to be signed contemporaneously with this Agreement.
- C. This Joint Venture Agreement is intended to reflect the objectives and principles of the Memorandum of Understanding, namely: to optimize return on investment; foster the development of the regional economy; attract new business investment to the Terrace area, generate tax revenues and address the Parties needs for industrial land for their own "Short Term Development" purposes, as defined in this Agreement.
- D. It is agreed that the most desirable form of business for conducting the operation is a joint venture.

For the reasons recited above, and in consideration of the mutual covenants contained in this agreement, the parties agree as follows:

SECTION ONE.

SCOPE AND DESCRIPTION

By this Agreement, the Parties create a joint venture to develop and market the Airport Lands for the economic benefit of the Parties and the region (the "Joint Venture"). The Joint Venture shall be conducted under the name of Airport Lands JV from a place of business at 3215 Eby Street, Terrace BC, V8G 2X8.

SECTION TWO.

CONTRIBUTIONS

The Parties will contribute to the Joint Venture. At the time of signing this Agreement, Terrace and Kitselas have contributed approximately \$175,279 and \$9,001 respectively as outlined in Appendix B. Either Party may loan funds to the Joint Venture under a loan agreement and promissory note, with priority repayment from revenues in accordance with SECTION FIVE. It is the Parties intention to seek development funding for Airport Lands development from other government grants, loans or from other sources independent of the Parties. If grants are received which would have been suitable for other (non Airport Lands) related projects the grant amount received will be considered a contribution from the receiving party and eligible for repayment as outlined in SECTION FIVE. It is acknowledged that development costs may include, but are not limited to:

- a) Airport Lands acquisition and associated legal fees;
- b) Legal survey;
- c) Engineering reports/studies;
- d) Highway intersection and roadway construction;
- e) Water supply and distribution;
- f) Rail spur;
- g) Electrical supply;
- h) Marketing studies and promotional materials;
- i) Joint Venture management costs; and
- j) Such other activities as may be related to development of the Airport Lands.

SECTION THREE.

CONDUCT OF VENTURE

Terrace shall have principal responsibility for management of the Joint Venture and will name an individual as Joint Venture Manager. A Management Committee will be established consisting of a named representative from each Party, the Terrace representative to be an individual other than the Joint Venture Manager. The Management Committee will provide advice and guidance to the Joint Venture Manager and will be the principal forum for consultation and the exchange of information between the Parties with respect to marketing and sales, planning, infrastructure development and operations. The Management Committee will be responsive to the policies established and agreed on by the Parties.

SECTION FOUR.

TITLE TO PROPERTY

It is the intention of the Parties that, pursuant to the Option Agreement dated April 18, 2008 between Terrace and the Province of British Columbia (BC), title of the individual properties within the Airport Lands (the "AL Parcels") will be conveyed directly from BC to the City; the City will then sell, or grant a long-term lease of, the AL Parcels to a purchaser or developer. For the purposes of this Agreement, where the City has sold or leased any AL Parcels, or where a binding agreement for the sale and purchase of any AL Parcels has been signed, or where any one of the Parties wishes to acquire any AL Parcels for their own Short Term Development purposes, such AL Parcels will be considered "subscribed." "Short Term Development" means any development to be completed within a time-frame of 2 to 3 years, and does not include any long-term holding of AL Parcels. Excluding any acquisition for municipal purposes such as roads, services, greenspace, parks, public assets or other infrastructure or matters for community benefit, any acquisition by either of the Parties of any AL Parcels will be made at similar levels of consideration payable by other third party purchasers and developers interested in the AL Parcels. In the event that the Parties agree to exercise the rights under the Option Agreement, legal title to the AL Parcels acquired will be taken in the name of Terrace, as trustee for the Parties, and will be held for their respective interests.

SECTION FIVE.

DISTRIBUTION OF REVENUES

Monies received (the "Revenues") from the sale, lease or other use of Airport Lands or any AL Parcels, but excluding all taxes generated from the Airport Lands or any AL Parcels, will be distributed as follows:

- a) First, to the payment of development costs as described in SECTION TWO;
- b) Second, to the recapture of losses experienced by Terrace as described in SECTION SIX;

- c) Third, to the repayment of contributions or loans made to the Joint Venture by the Parties;
- d) Fourth, to such infrastructure reserve account as may be required for the development; and
- e) Fifth, equally to the Parties.

SECTION SIX.

APPORTIONMENT OF LOSSES

The Parties shall bear any net loss sustained by the Joint Venture in any fiscal year as follows: Terrace will bear one hundred percent (100%) of such loss, and Kitselas shall bear zero percent (0%). Any such loss will be carried forward to ensuing fiscal years and will become a charge against subsequent Revenues in accordance with SECTION FIVE unless the Parties otherwise agree.

SECTION SEVEN.

RECORDS AND ACCOUNTING

Terrace will maintain or cause to be maintained a complete set of records, statements, and accounts concerning the total operation of the Joint Venture. All the books will be open during normal business hours for inspection and examination by Kitselas. Terrace may choose to operate a separate bank account for the Revenues and other funds relating to the Joint Venture; but in any event Terrace will maintain its ability to track all funds related to the Joint Venture for the Term of this Agreement.

The fiscal year of the Joint Venture shall commence January 1st and close on December 31st of each year of operation. Financial statements will be completed by Terrace within ninety days (90) after the close of the fiscal year and submitted to Kitselas.

SECTION EIGHT.

INSURANCE

Each party will obtain commercial liability insurance as appropriate for their respective involvement in the Joint Venture.

SECTION NINE.

ASSIGNMENTS AND TRANSFERS

Neither Party shall assign or transfer their rights or duties in the Joint Venture without the express written consent of the other Party. Notwithstanding the preceding sentence, if either of the Parties forms a corporation for purposes of participating in the Joint Venture,

that Party may assign this Agreement and its rights and duties in the Joint Venture to such corporation.

SECTION TEN.

DISPUTE RESOLUTION

The Parties intend that any disputes that arise from the implementation of this Agreement will be dealt with in a collaborative and non-adversarial manner. A dispute will first be referred to the Management Committee for resolution. If the matter remains unresolved for sixty (60) days from the date of referral to the Management Committee, the Parties agree to attempt to resolve the dispute through mediation. If the matter remains unresolved for sixty (60) days from the date of commencement of mediation, the matter will be referred to binding arbitration pursuant to the applicable BC statutes. The costs of any dispute resolution process under this Agreement will be shared equally by the Parties.

SECTION ELEVEN.

TERM

This Agreement will take effect upon the date of signature of the Parties and the Agreement shall continue in effect for a period of ten (10) years from that date. The Parties agree to extend the Agreement on terms reasonably consistent with this Agreement, if the Airport Lands are still under development or the AL Parcels have not all been fully subscribed. The Parties agree to review and update the terms of this Agreement every ten (10) years during any extension of the term. The Parties agree to dissolve the Joint Venture upon completion of the development of the Airport Lands and upon the AL Parcels being fully subscribed.

SECTION TWELVE.

TERMINATION OF AGREEMENT

This Agreement may only be terminated prior to the expiry of the term of the Agreement by mutual agreement of the parties in writing. If one party wishes to terminate the Agreement and the other party does not agree to terminate, the disagreement will be resolved in accordance with SECTION TEN. On termination of this Agreement, the Joint Venture shall be wound up and dissolved in accordance with the applicable statutes of BC and the terms of this Agreement in respect to the distribution of assets.

Upon dissolution of the Joint Venture, all assets, excluding any Al Parcels that have been subscribed by way of lease, shall be liquidated as soon as possible and unless the Parties agree otherwise in writing, shall be distributed among the Parties in accordance with SECTION FIVE. Leases shall be dealt with as mutually agreed in writing by the Parties at the time of dissolution of the Joint Venture.

SECTION THIRTEEN

AMENDMENT

This Agreement may not be amended except by a written instrument signed by the City and Kitselas

[Execution page follows]

In witness whereof, the parties have executed this Agreement at Terrace, BC this 1 day of Nov., 2011.

Kitselas First Nation:

Per: [Signature], Chief Councillor
[Name, Title]

Per: [Signature], Councillor
[Name, Title]

City of Terrace:

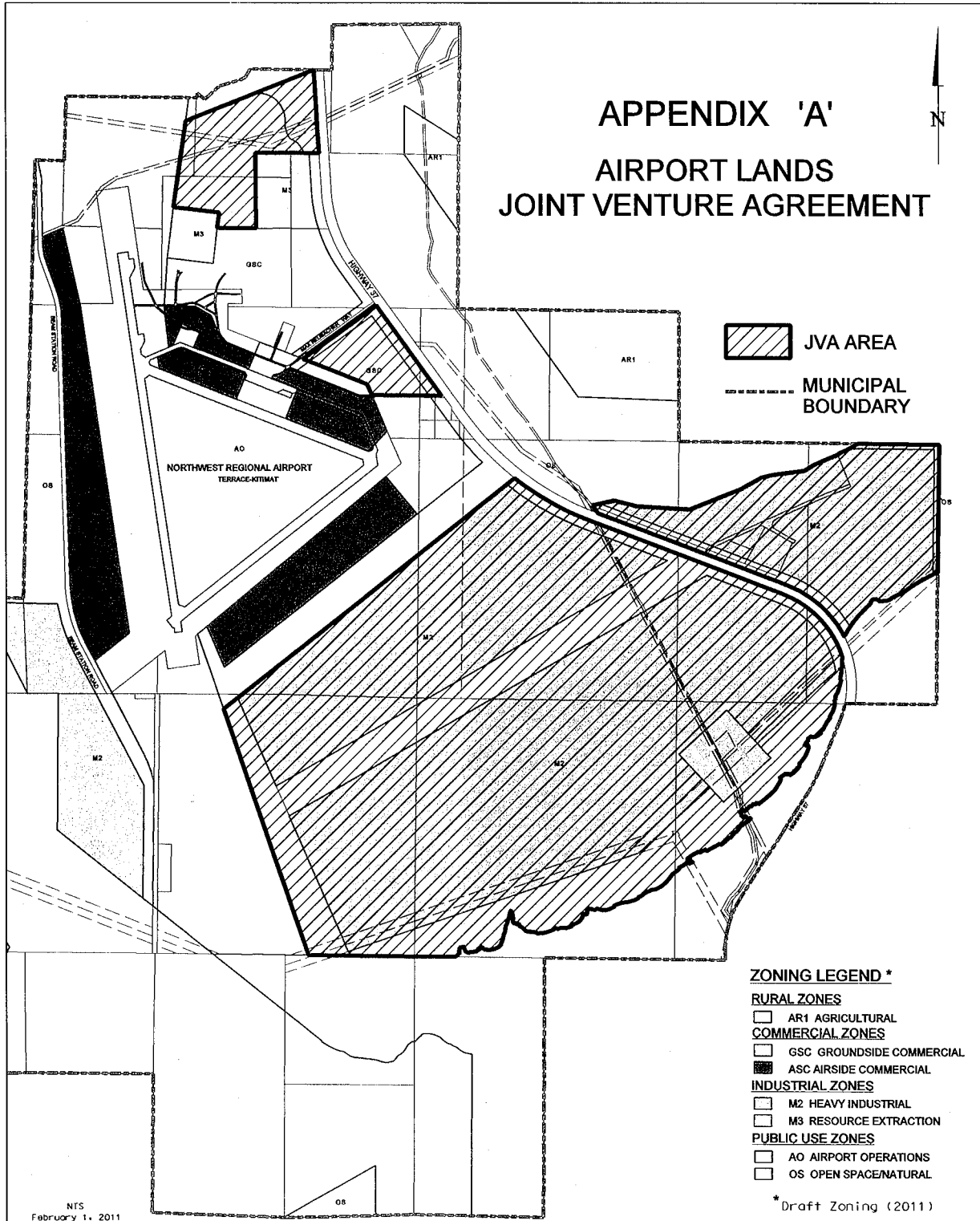
Per: ~~[Signature]~~ [Signature], Mayor
[Name, Title]

Per: [Signature], Corporate Administrator
[Name, Title]

APPENDIX 'A'








AIRPORT LANDS

JOINT VENTURE AGREEMENT



 JVA AREA
 MUNICIPAL BOUNDARY

ZONING LEGEND *

- RURAL ZONES**
-  AR1 AGRICULTURAL
- COMMERCIAL ZONES**
-  GSC GROUNDSIDE COMMERCIAL
-  ASC AIRSIDE COMMERCIAL
- INDUSTRIAL ZONES**
-  M2 HEAVY INDUSTRIAL
-  M3 RESOURCE EXTRACTION
- PUBLIC USE ZONES**
-  AO AIRPORT OPERATIONS
-  OS OPEN SPACE/NATURAL

* Draft Zoning (2011)

APPENDIX 'B'

AIRPORT LANDS CONTRIBUTIONS

01-Nov-11

COSTS INCURRED TO DATE	Year	Total Project Cost	City Contributions Including Eligible Grants	Non Eligible Grants	Kitselas Contributions Including Eligible Grants
Water Study - Old Well Site	2002	38,305	19,153	19,153	
Appraisal	2004	2,140	2,140		
Airport Lands Water Study	2006	15,007	5,007	10,000	
Area Concept Plan	2005 - 2006	26,228	11,228	15,000	
Appraisal	2007	800	800		
Archaeological Overview Assessment & Archaeological Impact Assessment	2007 - 2008	18,014	9,013		9,001
Airport Mapping	2007 - 2008	20,000	20,000		
Land Acquisition (Old Well Site)	2008	4,754	4,754		
Preliminary Water Design	2009	14,328	14,328		
	2010	17,004	17,004		
	2011	9,424	9,424		
Legal Fees for JVA & RSA	2011	9,469	9,469		
Intersection & Access Road	2009	50,502	22,082		
Intersection & Access Road (Build Canada Grant)	2009		28,420		
Intersection & Access Road	2010	2,458	2,458		
TOTAL		228,432	175,279	44,153	9,001