

FORM OF CONTRACT

ROUTE 25U "ALERT BAY" PASSENGER MARINE TRANSPORTATION SERVICES

THIS AGREEMENT made as of the 1st day of April, 2012.

BETWEEN:

BRITISH COLUMBIA FERRY SERVICES INC., a company incorporated under the laws of the Province of British Columbia.

(herein called the "Company")

AND:

WESTERN PACIFIC MARINE LTD., a company incorporated under the laws of the Province of British Columbia.

(herein called the "Operator")

WHEREAS:

A. The Operator is the registered Owner of the M.V. SPIRIT OF YALIS registered in the year 1989 in the Port of Victoria under Official No's 806737.

(herein collectively called the "Vessel")

B. The Operator agrees to provide scheduled marine transportation services using the Vessel in the coastal waters of the Province of British Columbia and requests the Company to pay it a fee for providing such services and the Company has agreed to pay such a fee on the terms and conditions herein.

C. The Operator acknowledges that this Agreement and the agreement of the Company to pay the Operator a fee for providing such services is subject to, and conditional upon, the Company receiving the agreement of the Province of British Columbia pursuant to the Coastal Ferry Services Contract (the "Coastal Ferry Services Contract") between the Company and the Province of British Columbia dated April 1, 2003 (as amended) to provide it with funding in an amount acceptable to the Company for the service by no later than January 6, 2012.

NOW THEREFORE THIS AGREEMENT WITNESSES that in consideration of the mutual covenants and agreements herein contained, the parties do hereby agree with each other as follows:

1. **COVENANTS OF OPERATOR**

- 1.1 During the Term of this Agreement the Operator covenants and agrees that it shall:
- (a) place and maintain the Vessel, or vessels agreed to by the Company, in service for the provision of marine transportation services meeting the specifications set forth in Schedule "A" (herein called the "Service"), between the ports and on the service frequency set forth in Schedule "B" and not to change the service frequency set out herein without the prior written consent of the Company;
 - (b) load, transport and off-load the users of the Service under all tidal conditions, at the terminal facilities described in Schedule "C" (herein called the "Facilities") at such regular times and intervals as are set out in Schedule "B" hereto or at such other times and intervals as are agreed to by the Company from time to time pursuant to the provisions of paragraph 1.1(a) hereof;
 - (c) establish and maintain right of access to the Facilities;
 - (d) provide such personnel, equipment and facilities as are necessary for the proper functioning of the Service, including loading and unloading facilities and services appropriate to the size, nature and extent of the Service and of the Vessel;
 - (e) comply with all federal, provincial, international, regional, municipal or local laws, statutes, ordinances, rules, bylaws, conventions, regulations, codes, guidelines, enforceable orders, decisions or directives applicable from time to time to the Vessel or to the carrying out by the Operator of its obligations hereunder including, without limiting the generality of the foregoing, the Migratory Birds Convention Act, 1994, S.C. 1994, C.22, the Fisheries Act, R.S.C. 1985, CF-14, the Canadian Environmental Protection Act, 1999, S.C.

1999, C.33, the Workers Compensation Act, R.S.B.C. 1996, c.492, the Canada Shipping Act, 2001, S.C., 2001, C.26, the Marine Liability Act, S.C. 2001, C.6, the Canada Transportation Act, S.C. 1996 C.10, the Transportation of Dangerous Goods Act, 1992, S.C. 1992 C.34, the International Maritime Dangerous Goods Code and the Canada Labour Code, R.S.C. 1985, C. L-2 including their respective regulations, all as amended or replaced from time to time;

- (f) provide reasonable access to the Company, its agents and employees at their own risk during normal business hours to board and inspect the Facilities and the Vessel and all equipment, machinery and fittings forming a part thereof and all manifests, records, certificates and licenses maintained thereon and to make such enquiries and investigations as the Company may deem necessary or desirable in order to satisfy itself as to the fulfilment of the Operator's obligations hereunder, and if so requested, to co-operate with the Company in making such inquires and investigations;
- (g) post such signs and other materials and to advertise in local papers in all ports as are necessary to adequately inform the public of the Service, the schedule therefore and any changes made thereto as agreed to by the Company pursuant to the provisions of paragraph 1.1(a);
- (h) levy and collect on embarkation of the users of the Service, only such fares and charges as set forth in Schedule "D" hereto;
- (i) maintain complete and accurate records and vouchers in respect of the Services including (i) all amounts so collected from the users of the Service; (ii) all fuel consumed by the Vessel in performance of the Service or otherwise; and (iii) all amounts paid for fuel for the Vessel in performance of the Service, or otherwise; and to allow the Company and/or its agents access to the offices of the Operator and all books, records and vouchers of the Operator to audit all such books, records and vouchers to confirm compliance with the terms and conditions of this Agreement;

- (j) maintain accurate and complete passenger manifests in the form attached hereto as Schedule "F" (herein called the "Manifest") for each trip of the Vessel showing the number and type of passengers, and the respective fares and charges collected, together with such other information that the Company may request from time to time;
- (k) deliver a copy of each trip's Manifest, certified to be true, complete and correct by the Ship's Master, to the Company with the Monthly Statement as defined in paragraph 3.1 and to maintain a copy of each trip's Manifest on the Vessel;
- (l) deal in an efficient and expeditious manner with any claims made by any person against the Operator in respect of the provision by the Operator of the Service or the non-observance or non-performance of any of its obligations under this Agreement including, without limiting the generality of the foregoing, any claims for loss of life, injury or damage.
- (m) cause the Vessel to be approved by a Transport Canada Inspector and have a valid Transport Canada Inspection Certificate in effect at all times. A copy of the then current Transport Canada Inspection Certificate is to be provided to the Company. The Operator shall provide a written inspection report signed by such Transport Canada Inspector to the Company no later than 10 working days after the inspection has been completed each year and will ensure that all certificates, insurance and licenses are maintained in compliance with the Operator's obligations pursuant to all statutes and regulations as required to carry passengers and freight;
- (n) the Operator will refrain from using another vessel(s) to carry the Service without the prior written consent of the Company;
- (o) adhere to the special terms and conditions, if any, set forth in Schedule "G" hereto;
- (p) immediately and fully apprise the Company of all legal actions, deaths, injuries that require treatment at a clinic or hospital, damages in excess of

\$5,000, and unusual incidents concerning the passengers, or the Service, including any damage to the Vessel or Facilities.

2. TERM, EXTENSION AND EARLY TERMINATION

2.1 Subject to earlier termination hereof, the term of this Agreement (herein called the "Term") shall be the period commencing on April 1, 2012 and ending March 31, 2016 provided that the Company may at its option extend the Term for a period of up to four years by giving written notice to the Operator not later than 90 days prior to the expiration of the Term. Any contract extension is subject to mutual agreement of any price or service change. Notwithstanding anything herein to the contrary, the Company may, at its option and without giving any reasons therefore, terminate this Agreement upon giving 90 days notice of its intention to terminate to the Operator, such notice to be effective 90 days from the date of such notice.

2.2 Notwithstanding anything herein to the contrary, the parties acknowledge that this Agreement is subject to, and conditional upon, the Company receiving the agreement of the Province of British Columbia (the "Provincial Agreement ") to provide the Company pursuant to the Coastal Ferry Services Contract with funding in an amount acceptable to the Company for the Service by no later than January 6, 2012. If the Company does not provide written notice to the Operator that it has received the Provincial Agreement by January 13, 2012, this Agreement shall automatically be at an end and each party shall be released from any and all obligations and liabilities to the other pursuant to or in connection with this Agreement, and the termination thereof, and the Request for Proposal, RFP 02-05-2011 Route 25U "Alert Bay", Passenger Marine Transportation Services.

3. PAYMENT

3.1 In consideration of the supplying of the Vessel and the performance of the Service by the Operator pursuant to the terms hereof, the Company shall, no later than 25 days after receipt of a statement detailing the Services performed (the "Monthly Statement"), pay to the Operator directly or as the Operator may request in writing,

a monthly fee (herein called the "Fee") calculated in accordance with Schedule "E" hereto. Notwithstanding the foregoing, the Company may, without prejudice to any other rights or remedies available to it by law or under the terms of this Agreement, deduct and withhold from any Fee the following amounts: any cost, expense, loss or damage paid or suffered by the Company at any time as a result of any misrepresentation or breach or non-fulfillment by the Operator of any covenant or obligation contained herein, and the Company's decision in respect of any amount so adjusted or withheld shall be final and binding on the Operator.

- 3.2 In addition to the Fee, the parties have agreed to an annual fuel cost adjustment (the "Fuel Cost Adjustment") calculated in accordance with Schedule "E". The Operator shall provide the Company, on a monthly and on an annual basis, no later than 25 days after the end of each month and at the end of each year during the Term, a detailed breakdown of all fuel consumed by the Vessel in the performance of the Services or otherwise and the cost of all fuel purchased for the Vessel for the performance of the Services or otherwise, in such form and with such supporting documentation, as the Company may require from time to time. The Operator shall provide its calculations for the Fuel Cost Adjustment, based on such material within 30 days after the end of each year during the Term. The Company shall notify the Operator within 30 days of the receipt of such annual material and calculation whether it agrees with the calculation. If the Company does not dispute the calculation or provides notice of agreement within such 30 day period, the amount of any Fuel Cost Adjustment shall be paid by the Company or the Operator to the other, as applicable, within 15 days of such determination by the Company. In the event of a dispute, the parties shall meet to resolve the dispute and failing agreement the Company's decision shall be final and binding on the parties.

4. REPRESENTATIONS AND WARRANTIES OF OPERATOR

- 4.1 The Operator represents and warrants to the Company, with the intention that the Company shall rely thereon, as follows:
- (a) the Operator is the registered Owner of the Vessel;

- (b) the Vessel complies with all applicable laws with respect to passenger carrying vessels;
- (c) the Operator possesses all necessary authority to enter into this Agreement and to perform all of its obligations hereunder in accordance with the terms hereof including having agreements in place to access the Facilities throughout the Term;
- (d) neither the execution and delivery of this Agreement nor the performance of any of the obligations of the Operator to be performed hereunder will:
 - i) conflict with or result in a breach of or default under any agreement or other instrument or obligation to which the Operator is a party or by which it or the Vessel may be bound,
 - ii) violate any order, writ, injunction, decree, statute, rule or regulation applicable to the Vessel or the Operator, or
 - iii) require the consent or approval of any person or authority not a party to this Agreement;
- (e) the Operator does not know or have reason to know of any claim, judgement, action suit, litigation or proceeding, pending or threatened, against it or the Vessel which might adversely affect the Vessel or the ability of the Operator to carry out its obligations hereunder.

5. RISK AND LIABILITY

5.1 The Operator shall be solely responsible and shall pay for all claims, losses, damages, expenses (including legal fees and disbursements) and costs of any nature or kind whatsoever arising out of or attributable to any cause whatsoever in connection with the performance of its obligations hereunder, including the acts or omissions of its officers, directors, agents and employees.

6. INSURANCE

6.1 During the Term of the Agreement, the Operator, shall at its own cost and expense arrange and maintain insurance against physical loss or damage to the Vessels and legal liabilities arising out of the use and operation of the Facilities and Vessels, including Collision Liabilities, Pollution Liabilities Passenger Liabilities, and Cargo Legal on minimum terms and conditions as follows:

a) Hull & Machinery Insurance: Canadian Hulls (Pacific) Clauses 2005 or equivalent, including primary collision liabilities. If primary collision is excluded, then this insurance must be included with the Protection & Indemnity insurance. The hull value shall be no less than the cost to replace the Vessels of similar type, as determined by a marine surveyor and/or other experts acceptable to the Company. The maximum deductible shall not exceed \$10,000 per occurrence;

b) Protection & Indemnity insurance providing liability to passengers and their property on all vessels used under this contract and during loading and unloading of these vessels on either one of the following options:

Option 1) Entry in a Protection & Indemnity Club that is a member of the International Group of Protection & Indemnity Clubs; or

Option 2) Insurance with a recognized insurer with insuring conditions SP 23 or equivalent for a limit of liability of not less than the greater of:

1. \$5,000,000 any one accident or occurrence; or
2. The amount obtained by multiplying the passenger capacity of the Vessel by the per passenger limitation amount stipulated in the Marine Liability Act.

The only exception is cargo legal liability insurance which shall be a minimum of \$30,000 per incident.

The policy shall have the Company added as an additional insured or coinsured and an endorsement specifying that the said policy shall be primary and without right of contribution from any insurance otherwise maintained by the Company. The maximum deductible shall not exceed \$10,000 per occurrence.

- c) Commercial General Liability Insurance to insure against any exposures that are not insured under P&I insurance above for incidents that arise from operation of the Facilities. Such insurance shall be a minimum of \$5 million per occurrence to insure third party bodily injury and property damage at any Facilities or other shore side facilities that are used by the Operator in the delivery of these services. The policy shall have the Company added as additional insured and an endorsement specifying that the said policy shall be primary and without right of contribution from any insurance otherwise maintained by the Company. The maximum deductible shall not exceed \$10,000 per occurrence.

6.2 All insurance required hereunder shall be on terms approved by the Company (which approval shall not be unreasonably withheld) and shall provide that the policy shall not be amended, terminated or cancelled without 30 days' prior written notice to the Company.

6.3 The Operator shall furnish to the Company, at least 30 days before the commencement of Services and annually thereafter, certificates of insurance from insurers acceptable to the Company, as to the insurance required to be maintained hereunder. If the Operator shall fail to take out and keep in force such insurance, the Company may do so and the Operator shall repay to the Company forthwith upon demand the amount of any premium reasonably paid by the Company as

aforesaid and any amount not repaid on demand may be deducted from the Fee (as defined) or other monies payable by the Company.

The Company makes no representation that the amounts of insurance stated in this Section 6 are adequate to cover any potential loss and only state the minimum required by the Company for the purposes of the Agreement. Notwithstanding any review or approval by the Company of any terms of such insurance, there is no representation that such terms are sufficient or will have any given legal effect.

7. **INDEMNIFICATION**

7.1 The Operator shall indemnify and save harmless the Company, its employees, agents, servants and assigns from and against any and all losses, claims, damages, actions, causes of action, costs and expenses that the Company may sustain, incur, suffer or be put to at any time either before or after the expiration or termination of this Agreement, where the same or any of them are based upon, arise out of or occur, directly or indirectly, by reason of any act or omission of the Operator or any of the Operator's agents, employees, directors, officers or subcontractors engaged in connection with the Services, including without limitation, any infringement of copyrights or license rights by the Operator, excepting always liability arising out of the independent willful acts of the Company.

8. **WORKSAFEBC**

8.1 During the term of the Contract, the Operator shall provide evidence that the Operator is registered with WorkSafeBC.

9. **FORCE MAJEURE**

9.1 Notwithstanding any other provision herein contained, the parties hereto shall not be deemed in default with respect to the performance of any of the terms, covenants and conditions of this Agreement, if the non-performance thereof shall be due to an event that is beyond the reasonable control and without the fault of a party and

includes fires, floods, storms, strikes or lock-outs (excepting strikes or lockouts involving the Operator's employees), civil commotion, invasion, rebellion, hostilities, sabotage and acts of God, provided that the Operator shall notify the Company in writing of any such circumstances affecting its ability to perform the Service hereunder.

10. EVENTS OF DEFAULT

10.1 It is hereby acknowledged that service is the essence of this Agreement and accordingly if, there has been a significant or continued lack of service by the Operator, as determined by the Company, in its sole discretion, the Company shall have the right to serve notice on the Operator specifying the act or omission complained of and requiring the same to be remedied within a period of ten days. In the event that the act or omission complained of shall not be remedied within such period, then the Company may give notice in writing to the Operator immediately terminating this Agreement.

10.2 Notwithstanding any other provisions herein contained, the Company may, by giving notice to the Operator, terminate this Agreement forthwith upon the happening of any of the following events:

- (a) if the Operator fails to carry out any of the obligations to be performed on its part hereunder, and such failure shall not be remedied or corrected within ten days after the earlier of the Operator having knowledge of the breach or omission or the Operator receiving written notice from the Company of such breach or omission;
- (b) if the Vessel is so damaged that it is unfit to carry out the Service in accordance with the terms hereof and a replacement vessel of the equivalent or better standard, is not put into service within 5 school days after the damage occurred;

- (c) if the Operator in any 12 month period misses more than 5 scheduled sailings, unless due to an event of force majeure;
- (d) if the Operator is adjudicated a bankrupt or an order is made for the winding-up of the Operator;
- (e) if the Operator makes any assignments for the benefit of creditors;
- (f) if the Operator requests the Registrar of Companies of the Province of British Columbia to strike it off the Register of Companies, or if such company is in fact struck from the Registrar of Companies;
- (g) if the Operator or any of its officers or directors or employees is convicted of any offence under any law or regulation of Canada or British Columbia or any duly constituted authority thereof;
- (h) if any action or omission by the Operator in turn causes BC Ferries to be in default under the Coastal Ferry Services Contract between the Province of British Columbia and BC Ferries;
- (i) if the Operator charges tariffs different from those agreed to by the Company;
- (j) if the Operator fails to obtain and maintain safety, regulatory and legal certification or to operate the service in a safe manner; or
- (k) if the Operator furnishes materially incorrect information, fails to remit monies owing to BC Ferries or fails to obtain and maintain required insurance.

10.3 Upon the termination of this Agreement pursuant to paragraph 10.2 hereof, the Company shall pay to the Operator any Fee or portion thereof or other compensation owing to the Operator up to the date of termination subject to the right

of Company to set-off against any payments to the Operator or any claims which the Company has against the Operator as a result of the Operator's default hereunder.

10.4 The Company's rights under this section 10 to terminate this Agreement shall be without prejudice to the Company's other rights and remedies at law or in equity arising out of a breach of this Agreement by the Operator.

11. RELATIONSHIP OF PARTIES

11.1 The Operator is not hereunder an agent or legal representative or contractor of the Company for any purpose whatsoever and is not granted by the terms or execution of this Agreement any express or implied right or authority to assume or create any responsibility on behalf of or in the name of the Company or to bind the Company in any manner whatsoever.

12. PUBLIC INFORMATION

12.1 The Operator acknowledges that all information delivered to the Company in connection with the provision of the Service, including information with respect to the number of trips, the number and type of passengers, the amount and type of freight (if applicable) carried and the respective fares and charges collected, but excluding information relating to the Operator and its finances and expenses, shall be public information and may be used by the Company or made available to any member of the public.

13. NOTICES

13.1 All notices, filings, demands and payments required or permitted to be given hereunder will be sufficiently given if delivered or sent by fax as follows:

If to the Company:

British Columbia Ferry Services Inc.
1300 Eleanor Road
Comox, British Columbia
V9M 4B3

Attention: Marine Superintendent
Fax number: (250) 339-1046

If to the Operator:

Western Pacific Marine Ltd.
501 Denman Street
Vancouver, British Columbia
V6G 2W9

Attention: Graham Clarke
Fax number: (604) 605-6006

and any notice will be deemed to have been given and received on the business day immediately following delivery or successful facsimile transmission.

13.2 Either party may change its address or fax number for notices by giving the other notice of such change in one of the manners set out herein.

14. **REMEDIES CUMULATIVE**

14.1 All rights and remedies of either party hereunder are cumulative and are in addition to, and shall not be deemed to exclude, any other right or remedy allowed by law. All rights and remedies may be exercised concurrently.

15. **FURTHER ASSURANCES**

15.1 Each of the parties hereto covenants and agrees to execute such further and other documents and instruments and to do such further and other things as may be necessary to implement and carry out the intent of this Agreement.

16. **NON-WAIVER**

16.1 No condoning, excusing or waiver by any party hereto of any default, breach or non-observance by any other party hereto at any time or times in respect of any covenant, proviso or condition herein contained shall operate as a waiver of that party's rights hereunder in respect of any continuing or subsequent default, breach or non-observance, or so as to defeat or affect in any way the rights of that party in respect of any such continuing or subsequent default, breach or non-observance, and no waiver shall be inferred from or implied by anything done or omitted to be done by the party having those rights.

17. **TIME**

17.1 Time shall be of the essence of this Agreement.

18. **PROHIBITION AGAINST ASSIGNMENT**

18.1 This Agreement and the rights of the Operator hereunder shall not be assignable by the Operator without the written consent of the Company, which consent may be withheld in the sole and absolute discretion of the Company. For the purposes of this Agreement, a change of control of the Operator, either directly or indirectly, shall constitute an assignment by the Operator requiring the consent of the Company.

18.2 The Company may assign its rights under this Agreement without the consent of the Operator to any affiliated entity or beneficiary as long as such assignee or beneficiary acknowledges its rights and obligations under this Agreement.

19. **HEADINGS**

19.1 No heading herein shall be determinative or used as a means to interpret this Agreement or any provision hereof. Any heading herein is inserted only for ease of reference.

20. **PARTIES AND INTEREST**

20.1 This Agreement and all of its terms shall be binding on and shall endure to the benefit of and be enforceable by the parties hereto and their respective beneficiaries and permitted assigns.

21. **RESPONSIBILITY**

21.1 It is understood and agreed that the involvement of the Company in respect of this Agreement or its rights under this Agreement, including without limiting the generality of the forgoing, any inspections, supervision, review, perusal, approval, comment, or the lack of same, shall not shift any responsibilities imposed on the Operator by law or under this Agreement from the Operator to the Company or affect any indemnities from the Operator to the Company or remedies available to the Company as specified herein.

22. **INDEMNITIES SURVIVE TERMINATION**

22.1 The indemnities set out in this Agreement shall survive the expiry of the Term or any earlier termination of this Agreement.

23. **ENTIRE AGREEMENT**

23.1 This Agreement constitutes the entire agreement between the parties with respect to the subject matter of this Agreement and supersedes and revokes all prior negotiations and representations. No understanding, agreement, representation or

warranty, oral or otherwise, exists between the parties with respect to the subject matter of this Agreement except as expressly set out herein.

24. GOVERNING LAW

24.1 This Agreement will be construed in accordance with the laws of the Province of British Columbia and the laws of Canada applicable in the Province of British Columbia.

25. AMENDMENTS

25.1 Except as otherwise provided herein, this Agreement may only be modified or amended by a subsequent agreement in writing signed by both parties.

26. COUNTERPARTS AGREEMENT

26.1 This Agreement may be executed in any number of counterparts, each of which when executed and delivered shall be deemed to be an original and all of which taken together shall constitute one and the same instrument.

27. FREEDOM OF INFORMATION AND PROTECTION OF PRIVACY ACT

27.1 The Operator acknowledges that the Company is subject to the provisions of the Freedom of Information and Protection of Privacy Act, R.S.B.C. 1996, c. 165 ("FOIPPA"). All documents submitted to the Company become the property of the Company. They will be received and held in confidence by the Company and the information will not be disclosed except to the extent necessary for carrying out the Company's purposes or as required by law.

27.1 The Operator may provide, or have access to, records which will be subject to the access and privacy provisions of FOIPPA and must comply with all applicable obligations outlined under FOIPPA.

IN WITNESS WHEREOF the parties hereto have executed this agreement as of the 1st day of April, 2012.

BRITISH COLUMBIA FERRY SERVICES INC.

s. 22

Per:

Name:

Title:

M. Lu Corrigan

EVP & COO

s. 22

WESTERN PACIFIC MARINE LTD.

s. 22

Per:

Name:

Title:

GRAHAM CLARKE

PRESIDENT

SCHEDULE "A"

SPECIFICATIONS

The Service includes:

- a) the provision of a vessel or vessels capable of transporting in total not less than 75 passengers and 25 kilograms of personal hand baggage for each passenger;
- b) intended frequency of a minimum of one AM crossing (Alert Bay to Port McNeil) and one PM crossing (Port McNeil to Alert Bay) per regular school day on a regularly scheduled basis;
- c) school students from Cormorant Island are given priority carriage over other passengers at all times; and
- d) the provision of washrooms, sanitary, emergency and loading facilities and services appropriate to the size, nature and extent of the Service, of the Vessel and the number of passengers transported.

SCHEDULE "B"

SCHEDULE OF SERVICE

ALERT BAY TO PORT MCNEIL AND RETURN
SAILING SCHEDULE ON EACH SCHOOL DAY

1. Operating school days presently September through June.
2. The morning sailing time from Alert Bay to Port McNeil is to be regularly scheduled to presently accommodate a 9:00 a.m. start of school with a maximum 30 minute waiting time for students before start of school.
3. The afternoon sailing time from Port McNeil to Alert Bay is to be regularly scheduled to presently accommodate a 3:21 p.m. dismissal time with a maximum 30 minute waiting time for students after school. Presently, the school dismissal time is occasionally earlier than 3:21 p.m. and the afternoon sailing shall be amended to accommodate this and any other change.
4. The Operator is required to monitor school operating days and the schedule for school start and finish times. In the event that operating school days or school start or finish times are changed, the Operator is required to adjust the sailing schedule accordingly.

SCHEDULE "C"

TERMINAL FACILITIES

The Operator, at its expense, shall establish and maintain a right of access to use docking Facilities at Alert Bay and Port McNeil.

SCHEDULE "D"

MAXIMUM TARIFF AND FARE STRUCTURE FOR THE SERVICE

- Students travelling to and from school shall travel free of charge.
- All other passengers departing Port McNeil shall pay fares equal to the fares published for travelling on BC Ferries' vessels providing service from Port McNeil. Such fares shall be collected by the Company at the Company's terminal in Port McNeil and such fares are retained by the Company. Under no circumstances should the Operator collect such fares.

SCHEDULE "E"

FEE SCHEDULE

BASE FEE:

During the Term, the Company shall pay to the Operator a Fee per round trip each operating school day payable monthly (presently April through June and September through March) to a maximum annual payment as identified in the table below:

Contract Year	Per Round Trip Fee on School Days (before taxes)	Maximum Annual Fee per Contract Year (before taxes)
Year 1 (April 2012 – March 2013)		
Year 2 (April 2013 – March 2014)		
Year 3 (April 2014 – March 2015)		
Year 4 (April 2015 – March 2016)		

For an extension of the contract term of up to four additional years (as identified in section 2.1), per round trip and maximum annual fees would apply as identified in the following table:

Contract Year	Per Round Trip Fee on School Days (before taxes)	Maximum Annual Fee per Contract Year (before taxes)
Year 5 (April 2016 – March 2017)		
Year 6 (April 2017 – March 2018)		
Year 7 (April 2018 – March 2019)		
Year 8 (April 2019 – March 2020)		

The Operator shall prepare an invoice monthly and submit it to the Company with the Monthly Statement.

FUEL COST ADJUSTMENT

In addition to the fees identified in the tables above, the Operator and the Company have agreed to an annual Fuel Cost Adjustment based on a fixed price for fuel in Litres of [] and a maximum annual fuel consumption for the Vessel for the Service of [] Litres. At the end of each year during the Term, the Operator will prepare a calculation as follows:

Average Annual Price for Fuel = (Total Annual Fuel Cost for the Service) divided by (Annual Fuel Consumed in Litres for the Service)

Annual Fuel Cost Adjustment = ((Average Annual Price for Fuel for the Service) less []) multiplied by (Annual Fuel Consumed in Litres up to a maximum of [] Litres)

If the Annual Fuel Cost Adjustment is positive, an amount equal to the result will be paid by the Company to the Operator as set out in paragraph 3.2.

If the Annual Fuel Cost Adjustment is negative, an amount equal to the result will be paid by the Operator to the Company as set out in paragraph 3.2.

SCHEDULE "F"

INVOICE AND MANIFEST

The Operator is to provide a table outlining statistics associated with each round trip performed within the month being invoiced. This includes passengers by type (student and non student) and by origin/destination.

SCHEDULE "G"

SPECIAL TERMS AND CONDITIONS

Nil