

**Haisla Nation
And
Province of British Columbia**

**Lease of Crown Land to Haisla Nation for Industrial Development
Douglas Channel, British Columbia**

**Term Sheet
July 31, 2012**

**Part 1
General**

1.1 Purpose:

This Term Sheet records the understanding of the parties on certain key terms that the parties intend to be more fully set out in a legally binding lease agreement (the "**Development Area Lease**" or the "**Lease**"). The parties also wish to confirm their intent to continue negotiations with respect to a possible purchase and sale of the upland portion of the subject area in fee simple as described in section 2.18 below. The parties acknowledge that, contemporaneously with the negotiations contemplated by this Term Sheet, they will also be involved in negotiations with respect to land use planning, cooperation and economic development initiatives related to the Douglas Channel area; as set out in letters between the parties dated July 31, 2012 (the "economic development initiatives").

The parties acknowledge that the Development Area Lease is an opportunity to further Haisla Nation's social and economic opportunities in advance of a Final Agreement, in the spirit and vision of the New Relationship. In addition the Province intends that lease to promote economic development and jobs growth for British Columbia by providing Haisla Nation with lease terms that give it the flexibility to pursue opportunities for development of the leased area for a liquefied natural gas (LNG) facility and export terminal or other permitted industrial uses.

1.2 Legal Effect:

This Term Sheet and the ongoing negotiations of the parties in accordance with this Term Sheet do not create a legally binding obligation to enter into the Development Area Lease, or a purchase and sale agreement, but the parties agree to work diligently and in good faith to settle the terms of the Development Area Lease based on the understandings set out in this Term Sheet and to seek all internal approvals and all other consents, or approvals that may be required or advisable to enter into the Lease. In addition the parties agree to continue to pursue the possible purchase and sale of the upland areas as provided in section 2.18.

1.3 Schedules: The Schedules to this Term Sheet are as follows:

A Map depicting leased area

1.4 Confidentiality: This Term Sheet and the negotiations leading to the Development Area Lease are intended to be confidential except for disclosures to third parties that a party considers to be required or advisable in order to give effect to this Term Sheet and any disclosure required by law (including the *Freedom of Information and Protection of Privacy Act*). Prior to any such disclosure the parties will to the extent possible consult with the other with respect to the proposed disclosure..

Part 2 Development Area Lease

2.1 Parties: Her Majesty the Queen in Right of the Province of British Columbia, as represented by the Minister of Forests, Lands and Natural Resource Operations as lessor (Landlord) and:

- Haisla Nation, as represented by Haisla Nation Council as lessee (Tenant); or
- A leasing entity as determined by Haisla Nation which is under the sole beneficial ownership (except for a nominal interest) and control, or a trust solely for the benefit, of Haisla Nation as Tenant and Haisla Nation as Covenantor.

2.2 Leased Area: Those areas depicted generally on the map attached as Schedule A and outlined as "potential development area" and labeled "upland" and "water lot" consisting of approximately 769 hectares of provincial Crown upland, foreshore and Douglas Channel submerged lands. More specifically:

- The parties will work together to establish digital mapping and GIS information that describes the boundaries of the leased area with a mutually acceptable degree of accuracy as soon as possible and prior to entering into the Lease;
 - The leased area will exclude:
 - o highways (as defined in the *Transportation Act*);
 - o forests service roads (as defined in the *Forest Act*);
 - o a linear corridor for public road purposes as described more fully in 2.3;
 - o all areas below a natural boundary (as defined in the *Land Act*) other than the foreshore and submerged land labeled "water lot" on Schedule A; and
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- corridors for transmission and utility purposes as described more fully in 2.3.

- The Tenant will be responsible for obtaining at its cost a survey of the leased area prepared in accordance with survey instructions approved by the Surveyor General and to be accepted by the Surveyor General in accordance with section 72 of the *Land Act*. This survey must be prepared at the request of the Province during the second Renewal Term or as a condition to the commencement of the Second Renewal Term. Accordingly the Province will not be required to deliver the Lease in registerable form.
- The Tenant may at any time, and from time to time, during the Initial Term and the First Renewal Term in its sole discretion surrender any portion of the leased area to the Province if it determines that area to be unsuitable or unnecessary for the permitted use provided the Tenant gives the Province not less than 90 days prior written notice. In the event of any such surrender the amount of rent payable shall be adjusted to reflect the change in the leased area.

2.3 Electricity, Natural Gas and Utility Corridors:

The Lease will set out the particulars of one or more linear corridors that will run through the leased area for the purpose of providing transportation access, electrical and natural gas transmission infrastructure and water, sewage or other utilities to lands lying outside of the leased area. These linear corridors will be either excluded from the leased area or subject to a statutory right of way in favour of the Province or any other person to whom the Province may grant such rights. No consideration or compensation will be payable by the Province to the Tenant in respect of such area. The Province acknowledges that these corridors are intended to be located to minimize impacts on the development and use of the leased area.

2.4 LNG; Permitted Use:

The parties' intent is that the leased area will be sublet for development and use for an LNG facility and associated marine export terminal. However, if Haisla Nation determines that such use is not feasible, the leased area may be developed for other industrial and marine terminal uses as determined by Haisla Nation upon the consent of the Province, and such consent will not be unreasonably withheld. The Tenant and any subtenant will be responsible for obtaining all permits and other authorizations required for the construction of improvements and the use of the land and must comply with all applicable laws, bylaws and regulations.

2.5 Adjacent Land:

The intent of the parties is that the specific location and type of development and use of the leased area, and any areas outside of the leased area that are used to provide access, to or services for, the leased area must not materially and adversely preclude the development and use of adjacent development areas. The parties will endeavor to reach agreement as to what, if any, particular lease terms may be required to give effect to this principle.

2.6 Improvements: The Province will have the right to obtain copies of construction and final as built plans and specifications describing the location and nature of all improvements made to the leased area.

2.7 Assignment, Subletting:

The Tenant may assign the Lease without receiving prior consent or approval of the Landlord provided such assignee is controlled by the same persons as the Tenant and enters into an agreement with the Landlord to assume and be bound by the Tenant's obligations under the Lease. In the event that the assignment is by Haisla Nation as Tenant then Haisla Nation is to remain as covenantor of the assignee's obligations.

The Tenant may freely sublet all or a portion of the leased area without Landlord's prior written consent but shall give the Landlord notice and particulars of any sublease. The Tenant shall receive all sublease rents in full without payment or sharing with the Landlord and shall have all rights to approve any construction of improvements on the Lands by any subtenant.

2.8 Commencement, Term & Renewal Terms:

The Lease will be an initial term and a series of successive renewal terms to allow for feasibility studies and initial investigations, regulatory review and permitting, and development and use. Each renewal term will be at the option of the Tenant but subject to the Lease being in good standing at the time a renewal option is exercised and the satisfaction of specified conditions. The initial and renewal terms and respective uses and conditions will, in summary, be as follows:

- Initial Term – 2 years, commencing as soon as possible and conditional upon execution and delivery of the Lease for the purpose of preliminary investigations and feasibility studies and which Initial Term may, at the sole discretion of the Tenant, be extended for a further period of 3 years by delivering written notice to the Province that Haisla is continuing its process of identifying one or more potential proponents for the development of the Land;
- First Renewal Term – 5 years, commencing on the expiration of the Initial Term and conditional upon:
 - the Tenant or a subtenant entering having entered into the pre-application stage of the Environmental Assessment process and have received an order under section 11 of the *Environmental Assessment Act* setting out project scope and procedures for review of the proposed permitted use;

during this term the leased area may be used for all further activities required in order to complete Environmental Assessment and other permitting, regulatory and other reviews;

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- Provided the Tenant has satisfied the conditions to enter into the First Renewal Term or the Second Renewal Term it may elect to terminate the Initial Term or the First Renewal Term, as the case may be, on an early basis and to then enter into the next applicable renewal term. This right to enter into the next applicable renewal term may be exercised by giving not less than 90 days prior written notice to the Province; and
 - Second Renewal Term –50 years, commencing on the expiration of the First Renewal Term and conditional upon the permitted use being authorized under the *British Columbia Environmental Assessment Act*, the completion of survey (if required), and satisfaction of Provincial requirements with respect to decommissioning plans, security and insurance; this term is for project construction and ongoing operation..

2.9 Early Termination:

During the First Renewal Term and at any time prior to the expiration of the 4th anniversary of the commencement of the Second Renewal Term the Lease may be terminated by the Tenant giving the Province not less than 180 days advance written notice.

If at any time following the 4th anniversary of the second renewal term the leased area is not being diligently used for the development or operation of a permitted use the Province may terminate the Lease. The Lease will include more detailed provisions with respect to what constitutes a failure of diligent use and prior notification and consultation requirements that must be satisfied followed before any such termination right may be exercised by the Province. In regard to these provisions, the parties intend that the Lease provide a commercially reasonable level of security and certainty to the Tenant and its subtenants.

2.10 Rent:

Payable annually in advance, and without any deduction or setoff (except with respect to approved survey costs as set out above).

For the Initial Term Rent will be:

- For each of the first two years \$ and
- For each of the next three years \$

Provided that the parties will make all appropriate adjustments to the foregoing rent amounts to reflect any change to the leased area as a result of any exclusions from, or changes to, the leased area described in section 2.2 or 2.3.

For each year of the First Renewal Term and the Second Renewal Term, as applicable, Rent will be determined in accordance with generally applicable Crown land policies and tenure document terms for the determination of rents for Industrial leases of Provincial Crown lands.

2.11 Net Lease:

The Tenant shall be responsible for payment of all real property taxes, license fees, utilities, services and costs related to the Lands and the Tenant's development of the Lands.

2.12 Taxes, PTT and other costs:

The Tenant will be responsible for any HST, GST or other similar tax that may be payable on the rent or as a result of the rights granted to the Tenant under the Lease. The Tenant will pay any PTT payable in connection with any registration of the Lease or any or other registration charges for which the Province has not expressly agreed to accept responsibility. The tenant will be responsible for and pay any and all application, Crown grant and other prescribed fees.

2.13 Condition of Land:

The Lands will be leased "as is" and without any representation by the Province as to physical condition or suitability for any particular use or purpose. The Tenant will accept the leased area subject to, and accept responsibility for, any pre-existing contamination or any other condition or circumstance that may affect the potential for use.

2.14 Timber and Stumpage: The Tenant will be required to obtain all authorizations to harvest timber and to pay stumpage in accordance with the Forest Act and all other applicable enactments from time to time.

2.15 Reclamation/decommissioning:

At the end of the term or earlier termination of the Lease the Tenant will be responsible at the request of the Landlord to remove all structures placed on the land and to leave the land in a condition described in a decommissioning plan approved by the Province in accordance with more detailed provisions to be included in the Lease.

2.16 Permitted Encumbrances and Reservations and Exceptions:

As of the date of this Term Sheet the land status review for the leased area has not been completed and the Lease will set out those existing and pending interests that the parties agree as may continue as permitted encumbrances within the leased area. In addition the Lease will be subject to those reservations and exceptions as set out in s. 50 of the Land Act.

2.17 Form of Lease:

The form of lease will be generally in a form following the Province's standard form of Crown land industrial lease, including provisions with respect to limitations and other dispositions, security, insurance and environmental risks, but with such changes:

- as required to give effect to the specific provisions of this Term Sheet; and
- as the parties otherwise agree are appropriate given the particular circumstances and their shared objectives as set out in this Term Sheet.

2.18 Purchase:

The Province confirms that, subject to negotiating mutually acceptable terms and conditions, including a mutually acceptable purchase price, it is prepared to sell the upland portions of the land (i.e., those areas other than the portion labeled "water lot") shown on Schedule A to a Haisla Nation entity in fee simple. In the event a purchase and sale agreement is

entered into the parties intend that the water lot would be leased in accordance with the terms and conditions set out in this Term Sheet with such changes as are appropriate to reflect the change in the leased area. Following the signing of this Term Sheet, and concurrently with their diligent efforts to finalize the Lease, the parties will continue to pursue the possibility of a purchase and sale agreement with the objective of trying to reach agreement by October 15, 2012.

Part 3

Other Terms

3.1 Costs, Legal Representation:

The parties each acknowledge that they are independently represented by their own legal counsel and other professional advisors and agree that they are each responsible for the costs they respectively incur in respect of such services and for their own costs and expenses arising in connection with the negotiation of the agreements contemplated by this Term Sheet.

3.2 Conditions:

The Development Area Lease is subject to the parties' respective internal, review, approval and decision-making requirements. With respect to the Province this may include review or approvals by Cabinet and Treasury Board.


3.3 No Fetter and Other Approvals:

This Term Sheet including any requirement for the Province to act reasonably or to seek or pursue any approval, authorization or other matter, does not, and is not to be interpreted as, affecting, interfering with or in any way fettering the Province, any minister or other public official, statutory decision maker or any Provincial body in the exercise of any prerogative, executive, legislative or statutory power or duty. The granting of the Lease does not constitute any approval or authorization other than a disposition of Crown land and the Tenant or its subtenants, as the case may be, remain responsible for seeking any other authorization or approval that may be required in connection with the development and use of the lease area in accordance with applicable enactments.


3.4 Prior Communications: This Term Sheet sets out the understanding of the parties as of its date and as such supersedes their prior communications with respect to this subject matter.


Agreed to this 31 day of July 2012

HAIKLA NATION

Per 
for and on behalf of the
Haikla Nation
as represented by its Chief Councillor

HER MAJESTY THE QUEEN IN RIGHT OF
THE PROVINCE OF BRITISH COLUMBIA

Per 
Minister of Aboriginal Relations and
Reconciliation
or Authorized Representative

Per 
Minister of Forests, Lands and Natural
Resource Operations
or Authorized Representative

