

THIS AGREEMENT dated for reference the 18th day of August, 2014

BETWEEN

**HER MAJESTY THE QUEEN IN RIGHT OF THE PROVINCE OF
BRITISH COLUMBIA**, as represented by the Minister of Transportation and
Infrastructure

(the "Province")

AND

BRITISH COLUMBIA FERRY SERVICES INC. a body corporate,
incorporated under the laws of the Province of British Columbia under Certificate
of Incorporation No. 0667014

("BC Ferries")

WHEREAS

- A.** The Coastal Ferry Services Contract, as defined in this Agreement, contemplates that the parties will from time to time enter into discussions reviewing certain matters set out in the Coastal Ferry Services Contract.
- B.** The parties have undertaken such discussions and
- (i) in respect of the third Performance Term, defined as the Review Performance Term in the Act, amended and supplemented the Coastal Ferry Services Contract by entering into the agreement for reference April 1, 2012 and entitled the "Performance Term 3 Agreement";
 - (ii) in respect of specific service adjustments for the Review Performance Term, entered into agreements dated for reference, April 3, 2013 entitled "Performance Term 3 Amending Agreement No. 1" and March 31, 2014 entitled "Performance Term 3 Amending Agreement No. 2"; and
 - (iii) wish to further amend and supplement the Coastal Ferry Services Contract on the terms and conditions set out in this Agreement.

NOW THEREFORE in consideration of the foregoing premises and for other good and valuable consideration (the receipt and sufficiency of which is hereby acknowledged by the parties), the Province and BC Ferries agree as follows:

ARTICLE 1 – DEFINITIONS

- 1.1 In this Agreement “CFSC” means the service contract between the Province and BC Ferries entitled the “Coastal Ferry Services Contract”, as amended, and any other words having initial uppercase letters will have the meanings given to them in the CFSC.

ARTICLE 2 – COASTAL FERRY SERVICES CONTRACT

Appendix 1 of Schedule “A” Route Overview

- 2.1 Appendix 1 of Schedule “A” [Route Overview] to the CFSC is amended by deleting the route overview for Designated Ferry Route 9 entitled “Route 9 – Tsawwassen to Southern Gulf Islands” and substituting the route overview for Route 9 that is attached as Schedule 1 to this Agreement.

Schedule “B” Appendix 1 – Ferry Transportation Fee- Performance Term 3 Contract Years

- 2.2 Appendix 1 of Schedule “B” [Ferry Transportation Fee] to the CFSC is amended by deleting the tables entitled “Ferry Transportation Fee Table – Contract Year 2014/2015 and “Ferry Transportation Fee Table – Contract Year 2015/2016” substituting the tables attached as Schedule 2 to this Agreement.

Appendix 2 of Schedule “B” – BC Student (under 19 years of age) Discount Table

- 2.3 Appendix 2 of Schedule “B” [BC Student (under 19 years of age) Discount Table] is amended by deleting the line referencing Route 40 Discovery Coast in its entirety.

ARTICLE 3 - GENERAL

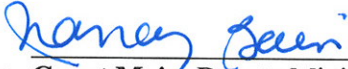
- 3.1 Notwithstanding any other provision of this Agreement, the payment of money by the Province to BC Ferries in connection with this Agreement or under the CFSC as a result of or in connection with this Agreement is subject to:
- (a) there being sufficient monies available in an appropriation, as defined in the *Financial Administration Act*, to enable the Province, in any fiscal year or part thereof when any payment of money by the Province to BC Ferries falls due, to make that payment; and

- (b) Treasury Board, as defined in the *Financial Administration Act*, not having controlled or limited, under the *Financial Administration Act*, expenditure under any appropriation referred to in subsection (a) of this section.
- 3.2** No term of this Agreement is intended to derogate from or be inconsistent with or in conflict with any law, including without limitation the Act, and shall not be interpreted in a manner as to result in any such derogation, inconsistency or conflict.
- 3.3** Each term of this Agreement will be valid and enforceable to the fullest extent permitted by law and if any term of this Agreement is held to be invalid, unenforceable or illegal to any extent, such term may be severed and such invalidity, unenforceability or illegality will not prejudice or affect the validity, enforceability and legality of the remaining provisions of this Agreement.
- 3.4** This Agreement and the CFSC constitute the entire agreement between the parties in respect of the subject matter of this Agreement and no understandings, representations, contracts, or agreements, written, oral or otherwise, exist between the parties with respect to the subject matter of this Agreement or to the subject matter of this Agreement and of the CFSC or of anything relating to this Agreement except as expressly set out in this Agreement or the CFSC.
- 3.5** Time is of the essence of this Agreement and will remain of the essence of the CFSC, as amended and supplemented by this Agreement.
- 3.6** The provisions of the CFSC, as amended and supplemented by this Agreement, are ratified and confirmed and where the CFSC is referred to in another agreement between the Province and BC Ferries, unless otherwise expressly provided for, those references will be deemed to refer to the CFSC as amended and supplemented by this Agreement.
- 3.7** All dollar amounts expressed in this Agreement refer to lawful currency of Canada.
- 3.8** No waiver by either party of a breach or default by the other party in the observance, performance or compliance of any of its obligations under this Agreement will be effective unless it is in writing and no such waiver will be deemed or construed to be a waiver of any other breach or default, and failure or delay on the part of either party to complain of an act or failure of the other party or to declare such other party in default, irrespective of how long such failure or delay continues, will not constitute a waiver by such party of any of its rights against the other party.
- 3.9** Each party will, upon the reasonable request of the other, make, do, execute or cause to be made, done or executed all further and other lawful acts, deeds, things, devices, documents, instruments and assurances whatever for the better or more perfect and absolute performance of the obligations of the requested party under this Agreement.

3.10 This Agreement may only be amended by a written agreement executed on behalf of each of the Province and BC Ferries.

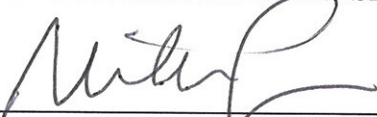
IN WITNESS WHEREOF, each of the Province and BC Ferries has executed this Agreement by its duly authorized representative or officer, as follows:

Signed on behalf of Her Majesty the Queen in right)
of the Province of British Columbia by a)
duly authorized representative of the)
Minister of Transportation and Infrastructure:)


for **Grant Main**, Deputy Minister
Ministry of Transportation
and Infrastructure

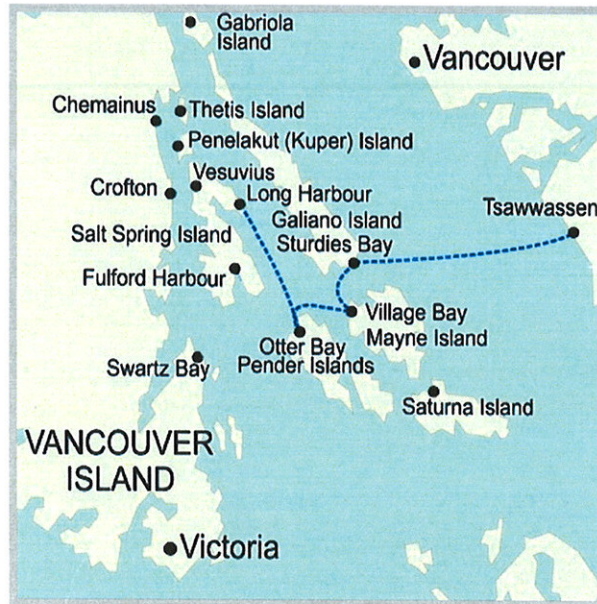

WITNESS NAME)

BRITISH COLUMBIA FERRY SERVICES INC.

Per: 
Mike Corrigan, President and Chief Executive Officer

SCHEDULE 1

ROUTE 9 – TSAWWASSEN TO SOUTHERN GULF ISLANDS



OVERVIEW

Route 9 (which includes Route 9A) connects Salt Spring Island (via Long Harbour) with Tsawwassen on the Lower Mainland. Connections are also made with Galiano, Mayne and Pender Islands. Transfers from Saturna Island at Mayne allow Saturna residents to travel to the Lower Mainland without going through Swartz Bay.

In the summer period there is a supplementary service with the Bowen Queen that sails between Tsawwassen and the Southern Gulf Islands five days a week.

CORE SERVICE LEVELS

Number of Round Trips to be Delivered per Contract Year		812
Minimum Number of round trips departing from Long Harbour (Rte 9) or Tsawwassen (Rte 9a) per day*	Peak	Route 9 & 9A: 4 (2 on Tuesday & Wednesday)
	Off Peak	Route 9: 2 (none on 9 Wednesdays [^])
Minimum Hours of Operation	Peak	Route 9: 7-9 (varies daily) Route 9A: 3-4 (varies daily)
	Off Peak	Route 9: 7-10 (varies daily) (none on 9 Wednesdays [^])
		Route 9A: None



* Service from Tsawwassen or Long Harbour will go to Pender, Mayne and Galiano daily. Each sailing may go to one or more of these ports.

[^] Wednesdays with no service: 2015 - January 7, 14, 21, 28; February 4, 11, 18, 25; March 4. 2016 – January 6, 13, 20, 27; February 3, 10, 17, 24; March 2. New schedules will be developed prior to the introduction of the new intermediate size vessel to replace the Queen of Nanaimo in 2016.

ROUTE AND SERVICE DESCRIPTION

Distance	Depends on destination. Nautical miles from Tsawwassen: Long Harbour (18), Pender (18), Mayne (14), Galiano (11)
Crossing Time	Depends on routing. Direct Galiano to Tsawwassen is 50 minutes. Long Harbour to Tsawwassen with 3 stops is 3 hours.

VESSEL AND TERMINAL DESCRIPTION

Vessel	Queen of Nanaimo	Bowen Queen
<i>Silhouette</i>		
<i>Passenger Capacity (Max.)</i>	973	390
<i>Vehicle Capacity (Official)</i>	192	70
<i>Crew Size</i>	27	10

Terminal	Sturdies Bay	Village Bay	Otter Bay	Long Harbour	Tsawwassen
<i>Location</i>	Galiano Isl.	Mayne Isl.	Pender Isl.	Salt Spring Isl.	Delta
<i>Holding Capacity</i>	90 AEQ	160AEQ	110 AEQ	105AEQ	2,240 AEQ
<i>Short Term Parking</i>	None	18 car spaces	30 car spaces	15 car spaces	160 car spaces
<i>Long Term Parking</i>	None	None	None	None	826 car spaces plus 34 drop-off
<i>Docks</i>	1	2	1	1	5

SCHEDULE 2
FERRY TRANSPORTATION FEE TABLES

[See attached]

Schedule "B" Appendix 1
Ferry Transportation Fee – Performance Term 3 Contract Years
Part 3 – Contract Year 2014/2015

Ferry Transportation Fee Table – Contract Year 2014/2015

Route #	Route	Maximum Annual Ferry Transportation Fee (\$)	Number of Round Trips to be Delivered per Contract Year to Meet Core Service Levels*	Ferry Transportation Fee per Round Trip (\$)
4	Swartz Bay/Saltspring	2,477,681	2,880	860.31
5	Swartz Bay/Outer Gulf Islands	15,455,815	3,491	4,427.33
6	Crofton/Saltspring	2,477,680	4,441	557.91
7	Saltery Bay/Earls Cove	10,253,573	2,513	4,080.21
8	Horseshoe Bay/Bowen Island	5,207,039	5,335	976.01
9	Tsawwassen/Gulf Islands	9,054,321	812	11,150.64
10	Bear Cove/Prince Rupert	28,310,600	83	341,091.56
11	Prince Rupert/Skidegate	23,442,733	139	168,652.76
12	Brentwood/Mill Bay	1,232,957	3,215	383.50
13	Langdale/Gambier/Keats	281,324	4,065	69.21
17	Comox/Powell River	7,098,435	1,366	5,196.51
18	Powell River/Texada	3,960,083	2,814	1,407.28
19	Nanaimo Harbour/Gabriola	2,624,992	4,898	535.93
20	Chemainus/Thetis/Penelakut	3,897,273	3,702	1,052.75
21	Buckley Bay/Denman	3,742,978	5,261	711.46
22	Denman/Hornby	3,131,070	4,060	771.20
23	Campbell River/Quadra	2,789,211	5,785	482.15
24	Quadra/Cortes	2,466,685	2,134	1,155.90
25	Port McNeill/ Alert Bay/Sointula	4,008,177	3,961	1,011.91
26	Skidegate/Alliford Bay	3,898,768	2,918	1,336.11
Annual Total (2014/15)		\$135,811,395		

*Note: see Note 1(a) in Schedule A, Appendix 1

Schedule "B" Appendix 1
Ferry Transportation Fee – Performance Term 3 Contract Years
Part 4 – Contract Year 2015/2016

Ferry Transportation Fee Table – Contract Year 2015/2016

Route #	Route	Maximum Annual Ferry Transportation Fee (\$)	Number of Round Trips to be Delivered per Contract Year to Meet Core Service Levels*	Ferry Transportation Fee per Round Trip (\$)
4	Swartz Bay/Saltspring	2,464,209	2,880	855.63
5	Swartz Bay/Outer Gulf Islands	15,371,780	3,491	4,403.26
6	Crofton/Saltspring	2,464,208	4,441	554.88
7	Saltery Bay/Earls Cove	10,197,823	2,513	4,058.03
8	Horseshoe Bay/Bowen Island	5,178,728	5,335	970.71
9	Tsawwassen/Gulf Islands	9,005,092	812	11,090.01
10	Bear Cove/Prince Rupert	28,156,671	83	339,237.01
11	Prince Rupert/Skidegate	23,315,272	139	167,735.77
12	Brentwood/Mill Bay	1,226,253	3,215	381.42
13	Langdale/Gambier/Keats	279,795	4,065	68.83
17	Comox/Powell River	7,059,840	1,366	5,168.26
18	Powell River/Texada	3,938,551	2,814	1,399.63
19	Nanaimo Harbour/Gabriola	2,610,719	4,898	533.02
20	Chemainus/Thetis/Penelakut	3,876,083	3,702	1,047.02
21	Buckley Bay/Denman	3,722,627	5,261	707.59
22	Denman/Hornby	3,114,046	4,060	767.01
23	Campbell River/Quadra	2,774,046	5,785	479.52
24	Quadra/Cortes	2,453,274	2,134	1,149.61
25	Port McNeill/ Alert Bay/Sointula	3,986,384	3,961	1,006.41
26	Skidegate/Alliford Bay	3,877,570	2,918	1,328.85
Annual Total (2015/16)		\$135,072,971		

*Note: see Note 1(a) in Schedule A, Appendix 1