


Services Contract

ORIGINAL

British Columbia Ferry Services Inc.
1112 Fort Street ("BC FERRIES")
Victoria BC
V8V 4V7
Canada

Cubic Transportation Systems Inc.
The "CONTRACTOR" at the following address:

5650 Kearny Mesa Road

San Diego, CA 92111

USA

Telephone: 858-627-4645 Fax: 858-565-6838

Telephone:
Fax:

Reference PO # _____

BC FERRIES AND THE CONTRACTOR AGREE TO THE TERMS AND CONDITIONS CONTAINED IN SECTIONS 1 THROUGH 27, INCLUSIVE IN THIS AGREEMENT AND IN THE SCHEDULES OUTLINED BELOW AND ANY ADDENDUM ATTACHED HEREIN. THE SUMMARY STATEMENT OF WORK AND RECORD OF NEGOTIATIONS DATED JANUARY 28, 2004 WILL TAKE PRECEDENCE TO THE TERMS AND CONDITIONS AND SCHEDULES OF THIS CONTRACT.

SCHEDULE "A" - SERVICES (SEE ADDENDUM TO SCHEDULE "A")

- (a) Services:
at (worksite): _____
- (b) Term: From _____ To: _____

SCHEDULE "B" - CONTRACT PRICE (SEE ADDENDUM TO SCHEDULE "B")

- (a) Maximum Contract Price: C\$ 927,256.11
- (b) Fee: \$ _____ per _____ for actual services rendered only.
- (c) Plus approved expenses, not to exceed \$ _____
- (d) Billing Date: Invoices and Confirmation of Services Rendered shall be submitted as per payment Schedule listed on 'Addendum to Schedule B' detailing the Services completed and/or the number of hours/days devoted thereto.
- (e) Payment Terms: Unless otherwise set out in an Addendum to Schedule "B", upon receipt of an invoice and Confirmation of Services Rendered detailing the Services performed, payment shall be made net 15 days after receipt of the invoice.

SCHEDULE "C" - APPROVED SUBCONTRACTOR(S)

NO SUBCONTRACTORS USED

SCHEDULE "D" - INSURANCE

AS SET OUT IN ADDENDUM TO SCHEDULE "D" - INSURANCE

SCHEDULE "E" - ADDITIONAL TERMS

Exhibit 1; "Software Licence Agreement between Cubic Transportation Systems Inc. and British Columbia Ferry Services Inc."
Attachment "A" Purchase order Terms & Conditions form RFP 07-01-2003

TERMS AND CONDITIONS

THE CONTRACTOR

1. The Contractor will:

- (a) provide to BC Ferries the services listed in Schedule "A" hereto and all other services as are necessarily incidental thereto (the "Services"), during the Term, for the Contract Price established in Schedule "B" in accordance with the terms and conditions of this Agreement, including the Addendums to the Schedules (if any) attached, (notwithstanding the date of the execution and delivery of this Agreement);
- (b) supply at its own expense all labour, materials and approvals necessary to perform the Services except as specifically set forth herein;
- (c) provide BC Ferries with status reports regarding the performance of the Services by the Contractor at such intervals as BC Ferries may reasonably direct; the report shall be made up to the end of the period in respect of which it is made, in a form acceptable to BC Ferries and shall contain information as may be reasonably required by BC Ferries from time to time;
- (d) comply with all applicable municipal, provincial, federal and foreign laws and regulations in performing the Services;
- (e) comply with all statutory occupational health and safety requirements under or in connection with the Workers Compensation Act in performance of the Services and the Contractor represents and warrants to BC Ferries that it is in compliance with all requirements of the Workers Compensation Act, including registration;
- (f) comply with BC Ferries Contractor's Safety Guidelines and login/logout Policies as outlined in Appendix "A";
- (g) not assign this Agreement nor subcontract any right, duty or obligations hereunder to any person, firm or corporation without the prior written consent of BC Ferries which consent may not be unreasonably withheld and any attempt to so assign or subcontract without such consent of BC Ferries shall be null and void and of no effect;
- (h) at all times maintain a first class standard of care, skill and diligence in performance of the Services, warranting that the Services shall be performed to the standard of experienced professionals in the Contractor's field;
- (i) ensure that all persons employed or engaged by it to perform the Services have the qualifications, experience and capabilities necessary to perform the Services taking all reasonable steps to insure that such persons perform the Services to the standard of care, skill and diligence of experienced professionals in the Contractor's field;
- (j) not invest in, or provide any services to, any other person or corporation which, in the reasonable opinion of BC Ferries, may give rise to a conflict of interest with BC Ferries and in the event the Contractor wishes to invest in, or provide services to, any other person or corporation, whether or not the Contractor considers that such services may result in a conflict of interest with BC Ferries, the Contractor shall first seek and obtain the written approval of BC Ferries, such approval not to be unreasonably withheld;
- (k) not advertise or otherwise publicize its working relationship under this contract without the prior written consent of BC Ferries;
- (l) indemnify and save harmless BC Ferries, its employees, agents, servants and assigns from and against any and all losses, claims, damages, actions, causes of action, costs and expenses that BC Ferries 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 Contractor or any of the Contractor's agents, employees, directors, officers, or subcontractors engaged in connection with the Services, including without limitation, any infringement of copyrights or licence rights by the Contractor, excepting always liability arising out of the independent wilful acts of BC Ferries;
- (m) during the Term of this Agreement, provide, maintain and pay for insurance in such form and amounts, with such deductibles, and according to the terms and conditions outlined in Schedule "D";
- (n) make application for, obtain and remit to BC Ferries any applicable refund or rebate of federal or provincial taxes or duties available with respect to any articles, materials, equipment or services used or provided under this Agreement.

THE CONTRACT PRICE

2. The amount payable to the Contractor in respect of the Services (for fees, expenses or otherwise) shall not exceed, in the aggregate, the Maximum Contract Price set out in Schedule "B", except if pre-authorized in writing by BC Ferries.
3. Where Schedule B provisions (b) and/or (c) apply, the Contractor shall be paid only for actual Services rendered, and, if applicable, approved expenses incurred, up to the Maximum Contract Price pursuant to Schedule "B".
4. The Contractor will submit written statements of account in the form of an Invoice, referencing the PO number as noted herein, to BC Ferries commencing on the "Billing Date" and thereafter as specified in Schedule "B" and shall submit the original invoice directly to Accounts Payable located at 1112 Fort Street, Victoria BC, V8V 4V2. The Contractor will, in addition to the Invoice, submit written statements of account in the form of a Confirmation of Services Rendered referencing the PO number as noted herein.

- and detailing the work performed, the amount invoiced including holdbacks (if applicable) and other information as may be reasonably required by BC Ferries. The Confirmation of Services Rendered is to be submitted to the BC Ferries Representative.
5. BC Ferries may, at its discretion, withhold from the Contract Price sufficient monies to indemnify BC Ferries completely against any lien, claim or deficiency arising under this Agreement.

BC FERRIES

6. BC Ferries will:

- (a) subject to the terms of this Agreement, pay to the Contractor the Contract Price calculated per Schedule "B" and clauses 2 and 3 hereof, in full settlement for the Services and the Contractor will accept same as payment in full for the Services;
- (b) make available to the Contractor all available information considered by BC Ferries to be pertinent to the Services;
- (c) at all times have the right of control, review and prior approval with respect to the performance of the Services and may from time to time impose specific requirements and general procedures with which the Contractor must comply and without restricting the generality of the foregoing, BC Ferries may require that its approval of any particular stage of the Services be obtained before the Contractor continues to the next stage in the performance of the Services and such approval by BC Ferries shall not effect or diminish in any way the obligations and liabilities of the Contractor with respect to the Services set forth herein or otherwise arising, nor shall BC Ferries be deemed by virtue of this paragraph to be entitled to direct the Contractor as to the manner in which the Services are performed.

SUSPENSION OF WORK/TERMINATION (Modified)

7. This Agreement shall automatically terminate upon expiration of the Term.
8. Prior to the expiration of the Term, either party may, at its option, elect to terminate the Agreement, provided that the party electing to terminate provides the other with 30 days notice in writing. Notice shall be full and sufficient satisfaction of any claim by either party for damages arising therefrom, provided that upon termination, BC Ferries shall remain liable to pay the Contractor any monies accrued and owing to the Contractor at the date of termination.
9. BC Ferries may terminate this Agreement at any time, without notice or payment in lieu of notice, upon occurrence of any of the following:
 - (a) the Contractor fails to comply with any essential provision of this Agreement or in circumstances where, if the Contractor was an Employee, BC Ferries could terminate this Agreement for just cause; or
 - (b) the Contractor becomes bankrupt or insolvent or subject to an assignment for the benefit of creditors of the Contractor.
10. Where the Contractor fails to comply with the provisions of this Agreement, BC Ferries may, in addition to terminating this Agreement, pursue such other reasonable remedies as it deems necessary.
11. The parties expressly agree that upon termination of this Agreement at any time and for any reason, there shall be no monies owing or payable by BC Ferries to the Contractor other than monies already accrued or owing to the Contractor up to the date of termination.
12. In the event of any disagreement, defective performance of any kind, or other dispute ("Dispute"), the parties agree to first attempt to settle such dispute by negotiation and, if necessary, mediation with a neutral third party mediator before resorting to other legal actions. The costs of any mediation shall be shared equally by the parties.

GENERAL

13. The Contractor shall not be the employee or agent of BC Ferries and accordingly shall not purport to enter into any contract or subcontract on behalf of BC Ferries or otherwise act on its behalf. The Contractor hereby acknowledges that BC Ferries shall not be required on behalf of the Contractor to make remittances or payments required by statute of employers and that the Contractor and its employees shall not be entitled to any benefits provided by BC Ferries to its employees.
14. This Agreement is made and shall be interpreted in accordance with the laws of the Province of British Columbia.
15. Time shall be of the essence of this Agreement.
16. Any notice required to be given hereunder shall be written and may be faxed or delivered by hand or mailed by prepaid registered mail to the addresses on the first page of this Agreement (or at such other British Columbia address as either party may from time to time designate in writing to the other); and any such notice mailed will be deemed to be received on the third business day after mailing (weekends, statutory holidays and days on which there is postal service disruption excepted).
17. If any provision of this Agreement is unenforceable or invalid for any reason whatsoever, such unenforceability or invalidity shall not effect the enforceability or validity of the remaining provisions of this Agreement and such provisions shall be severable from the remainder of this Agreement.
18. No waiver by either party of any breach of a provision of this Agreement shall be deemed to be a waiver of any other breach of this Agreement.

19. Notwithstanding anything herein to the contrary, neither party hereto shall be deemed in default with respect to the performance of the terms, covenants, and conditions of this Agreement if the same shall be due to any strike, lockout, civil commotion, invasion, rebellion, hostilities, sabotage, governmental regulations or controls or acts of god.
20. All material, documents, manuals, reports, plans, records, specifications, letters, memoranda, notations, messages, working papers, correspondence, agreements, invoices, electronic or other transcriptions or notes of telephone conversations or conferences, computer disks, computer programs, computer source codes, computer documentation, all paper written, printed, typed, punched, taped or filed, and all concepts, findings, data, drawings, information and processes prepared or produced by or at the discretion of the Contractor directly or indirectly in connection with the Services or otherwise developed or first reduced to practice by the Contractor in performing the Services (collectively the "Material") shall belong exclusively to BC Ferries which shall be solely entitled to all patents, copyright and trademark rights in respect thereof; provided that the Contractor is hereby granted a non-exclusive licence during the Term to prepare and use the Material in performing the Services. Such licence shall terminate upon the termination of this Agreement. No copies, extracts or any other reproduction of any Material shall be made by the Contractor without the express written permission of BC Ferries.
21. The Contractor acknowledges that during the Term of this Agreement, the Contractor or any of the Contractor's agents, employees or subcontractors may have access to confidential information concerning BC Ferries or other third parties dealing with BC Ferries which information is of a special and unique value respecting the operation and affairs of BC Ferries and such third parties (the "Confidential Information"). The Contractor agrees that any Confidential Information which has or will come into its possession or knowledge in connection with the Services shall be held in the strictest confidence and that, during the term of this Agreement or at any time thereafter, the Contractor, or any of the Contractor's agents, employees or subcontractors shall not make use of the Confidential Information other than in the performance of the Services and shall not disclose or release it to any other party.
22. Upon request of BC Ferries, the Contractor shall permit BC Ferries to inspect, review, retain and/or copy all Material and upon the request of BC Ferries during the Term of this Agreement, or upon termination of this Agreement, the Contractor shall immediately deliver to BC Ferries any or all Materials or Confidential Information, together with all copies thereof and extracts therefrom, which may be in the possession or under the control of the Contractor.
23. All Material and property provided by BC Ferries to the Contractor or any of the Contractor's agents, employees or subcontractors will be and remain the exclusive property of BC Ferries and shall be delivered by the Contractor to BC Ferries immediately upon BC Ferries giving notice of such request to the Contractor and shall be returned to BC Ferries forthwith upon the completion of the Services or earlier termination of this Agreement.
24. No alteration or amendment to this Agreement shall be effective unless the same is in writing and duly executed by the parties hereto in the same manner as this Agreement.
25. This Agreement and related local purchase order(s) and any amendment made pursuant to section 23, constitute the entire Agreement between the parties.
26. Any determination by BC Ferries as to its consent shall be in its absolute discretion.
27. Where the Contractor is a limited company, the Contractor hereby represents and warrants to BC Ferries that the signatory has been duly authorized by the Contractor to enter into this Agreement without corporate seal on behalf of the said company.

IN WITNESS WHEREOF the parties hereto have duly executed this Agreement the 6 day of FEBRUARY, 2004.

SIGNED AND DELIVERED on behalf of
BC Ferries by its authorized
representative.

S.22
[Redacted Signature Box]

(Authorized Representative)

SIGNED AND DELIVERED on or on behalf
of the Contractor (by an authorized
signatory of the Contractor if a
limited company).

Cubic Transportation Systems, Inc.

(Name of Contractor)

S.22

By: Reina Bergman, Contracts Manager
(Authorized Signatory)

1/28/04

Title: Rob Clarke, EVP, FINANCE
& CHIEF FINANCIAL OFFICER

SERVICES AGREEMENT

ADDENDUM TO SCHEDULE "A"

SERVICES

1. Where the Contractor is a limited company, and a specific individual's expertise is required, the party designated to perform the services under this agreement is:
John Carpenter, Program Manager
Reina Bergfors, Contract Manager
2. The Services shall be subject to the approval of the Contract Administrator of BC Ferries from time to time, initially:
Brian McKenna, Program Manager
Leo Mol, Purchasing
3. The Contractor shall remedy deficiencies in the Services promptly on request by BC Ferries for a period of 12 months after the Term, at no charge to BC Ferries as outlined in Cubic's warranty policy (S.O.W. Item 12).

Description of Services:

To manage all aspects of designing, supplying, support and installation of automatic ticketing machines at our Tsawwassen and Swartz Bay terminal's foot passenger ticketing areas as outlined in:

- BC Ferries RFP 07-01-2003 (including draft Services Contract & P.O. Terms and Conditions) and
- Cubic's response thereto dated September 22, 2003 and
- Negotiated "Summary statement of work and record of Negotiations" dated January 28, 2004 and
- Cubic's Revised section 5 of proposal - "05-Proposal Overview—rev 12-18-03.pdf" and
- Cubic's Revised proposal schedule "Proposal Schedule- version A.pdf"

List of Physical deliverables:

- a. 8 each Point of Sale Kiosks
 - b. 8 each Pedestal assemblies
 - c. 1 each Central computer system
 - d. Spares, sufficient to support system during warranty period
- And technical support as outlined in proposal and finalized record of negotiations.

MS Form 700 (Rev. 1-78)

NO.	DESCRIPTION	AMOUNT	DATE
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SERVICES AGREEMENT

ADDENDUM TO SCHEDULE "B"

CONTRACT PRICE

RECORDS

Except in cases where Schedule "B" specifies a single contract price, in connection with the provision of the Services the Contractor will:

- (a) establish and maintain records;

FEE DETAILS Cubic's Proposal number 3-131

Total contract price in Canadian dollars: \$ 927,256.11

Comprising of:	Program management	\$136,261.08
	Nonrecurring Engineering	\$207,116.72
	Test	\$68,130.50
	Training and documentation	\$40,878.30
	Documentation	\$0.00
	Production	\$318,169.44
	9383-1001, ERM ASSEMBLY	QTY 8
	0001-1116, PEDESTAL ASSY, C3	QTY 8
	MISC	LOT
	SERVER	QTY 1
	SHIPPING	LOT
	Installation, maintenance and warranty	\$156,700.15
	Total	\$927,256.11

Rebate if Pilot does not meet performance requirements*. \$109,008.80
*Contingent on negotiation of acceptable performance criteria.

System integration (Optional) Hourly \$181.23

PAYMENT SCHEDULE as per clause 3 of "summary Statement of work and record of negotiations" dated January 28, 2004.

a.	Notice to proceed	20%
b.	Design review	15%
c.	Production acceptance test	20%
d.	System integration test	20%
e.	Final commissioning	25%

Holdback as per clause 4 of "summary Statement of work and record of negotiations" dated January 28, 2004.

In lieu of a holdback amount to be withheld from each payment, Cubic will obtain a retention bond in the amount of 15% of the contract value to be effective through the end of the Pilot Test at the end of October 2004. Cubic shall provide all pertinent documentation regarding the retention bond once obtained.

APPROVED EXPENSES

No approved expenses, except as noted in clause 7 of "summary Statement of work and record of negotiations" dated January 28, 2004.

7. To clarify Assumption No. 4 from Section 10, the following conditions will determine when the Time and Material rates will apply for assistance with install/test of software.
 - a. Time and Material rates are:
 - i. Labor - CAS181.23 per hour
 - ii. Material - A material rate of 41% will be applied to actual material costs or travel expenses incurred.
 - b. Time and Material rates will apply to any work above and beyond standard installation and system integration.
 - c. Standard installation support consists of:
 - i. 1 week - technician on-site prior to installation to advise BC Ferries of site preparation requirements for deliverable equipment.
 - ii. 1 week - technician on-site after installation or until completion of integration of Cubic components.
 - iii. 3 concurrent days per month for 5 months following installation
 - d. Standard integration support consists of:
 - i. 2 days on site training on Cubic External Interface Specification (EIS)
 - ii. 40 hours phone support within first six (6) months after installation.

SERVICES AGREEMENT
ADDENDUM TO SCHEDULE "C"
APPROVED SUBCONTRACTORS

No Subcontractors listed.

SERVICES AGREEMENT
ADDENDUM TO SCHEDULE "D"
INSURANCE

GENERAL:

1. The Contractor shall, prior to commencement of the service and at his expense, obtain and maintain, until all conditions of the contract have been fully complied with, insurance coverage in wording and in amounts as hereafter specified unless altered by mutual agreement. Any additional coverage that the Contractor may deem necessary to fulfil his obligations under this contract shall be at the Contractor's own discretion and expense.
2. Payment of any deductible amount shall be the responsibility of the Contractor.
3. General Conditions:
 - Insurance shall be placed with reliable insurers registered and licensed to issue insurance in the Province of British Columbia and acceptable to BC Ferries and shall be in a form acceptable to BC Ferries.
 - Before starting the work under this contract, the Contractor shall give BC Ferries proof of all specified insurance and when requested, within ten (10) working days thereafter, a certificate of insurance evidencing coverage.
 - Insurance shall run continuously from the start of the work to the expiry date, which shall not be less than ten (10) working days after completion of work.
 - The Contractor shall be responsible for all deductibles under policies and insurance provided by the Contractor.
 - Loss or damage covered by an insurance policy shall not affect BC Ferries' or Contractor's rights and obligations under this contract. The Contractor's Insurance is Primary.
 - If the Contractor fails to provide the specified insurance, BC Ferries may do so and deduct the costs from the contract sum.
4. All policies shall state that:
 - (i) BC Ferries shall receive at least thirty (30) working days prior written notice of intended cancellation or material change.
 - (ii) The inclusion of more than one Insured shall not affect the rights of any other Insured.
5. The Contractor shall not operate or allow entry onto BC Ferries' property, any unlicensed motor vehicle. Unlicensed mobile equipment will be insured by the Contractor for physical damage and liability.

SERVICES AGREEMENT

ADDENDUM TO SCHEDULE "D" cont.

INSURANCE

VEHICLE INSURANCE REQUIREMENT:

1. Automobile insurance coverage shall be arranged with inclusive limits of not less than five million dollars (\$5,000,000) on a Standard Owners Form Automobile Policy, affording third party liability and accident benefits insurance, as provided by the Insurance Corporation of British Columbia (AUTOPLAN) in accordance with the Automobile Insurance Act for all licensed vehicles owned, leased, rented or used in the performance of this contract.

COMPREHENSIVE GENERAL LIABILITY INSURANCE REQUIREMENT:

1. Comprehensive general liability coverage shall be arranged and shall include as an additional insured, BC Ferries and the Contractor, separately and jointly and shall include a cross liability clause.

Risks insured shall include personal injury, death and property damage including loss of use thereof. Minimum coverage is as follows:

- Five million dollars (\$5,000,000) inclusive limits for bodily injury or property damage or both combined each occurrence, and
- Five million dollars (\$5,000,000) aggregate limits for products and completed operations, personal injury, each policy year.

PROFESSIONAL GENERAL LIABILITY INSURANCE REQUIREMENT:

1. Professional Liability insurance shall be arranged from the date of execution of this contract and for a period of two (2) years thereafter. The policy shall carry minimum limits of \$1,000,000 per claim, and \$1,000,000 annual aggregate insuring against loss of damage arising out of the professional services rendered by the successful Proponent or his sub-contractor or employees including personnel on loan to the successful Proponent and personnel who perform normal services of the Proponent under this contract. The Professional Liability Insurance (Errors and Omissions) shall be in the form of a Single Project Professional Liability Policy.

SERVICES AGREEMENT

ADDENDUM TO SCHEDULE "E"

ADDITIONAL TERMS

No additional terms other than those identified (if any) in proponent's response and/or summary of statement of work and record of negotiations dated January 28, 2004.

A specific additional term is Exhibit 1, Software Licence Agreement between Cebic Transportation Systems Inc. and British Columbia Ferry Services Inc.

Attachment "A"

**PURCHASE ORDER
TERMS AND CONDITIONS**

I. General Terms and Conditions:

1. This purchase order number must be shown on all related invoices, shipping papers, transportation bills, packages, packing lists and correspondence.
2. All applicable transportation charges must be prepaid unless instructions to the contrary appear on the face of the purchase order.
3. A separate invoice in duplicate must be rendered for each order and for each shipment or delivery.
4. A packing list must be included with each shipment applied against this order.
5. No charge will be accepted for packing, handling or cartage, unless expressly agreed. Advise immediately of any shortage or delay in shipment.
6. Where applicable serial numbers are to be shown on the invoice including serial numbers of trade-in equipment.
7. WHMIS legislation requires suppliers to provide appropriate labels and material safety data sheets for regulated products.
8. No product containing asbestos shall be supplied at any time without written authorization.

II. Delivery:

Time is of the essence in this contract, and if delivery of merchandise ordered is not completed by the date required on reverse side, Buyer reserves the right to terminate this contract and to purchase substitute merchandise elsewhere and charge the Seller with any incidental or consequential damages that might be incurred.

Delivery of merchandise ordered shall be specified on the Purchase Order. Partial shipments are accepted, but the buyer shall have the right to specify that all merchandise ordered be delivered at the same time.

III. Changes/Modifications/Termination:

Buyer reserves the right at any time, to cancel or terminate this order in whole or in part by written or telegraphic notice, or verbal notice confirmed in writing; or to make changes in any one or more of the

following: (1) Quantity of merchandise ordered; (2) Specifications of merchandise; (3) Methods of shipment or packing; (4) Place of delivery, and (5) Time of delivery.

If any such change causes an increase or decrease in the cost of, or the time required for performance of this contract, an equitable adjustment shall be made in the contract price or delivery schedule, or both. No agreement or understanding to modify this contract shall be binding upon Buyer unless in writing and signed by Buyer's authorized agent.

IV. Inspection:

Materials or equipment purchased hereunder are subject to inspection and approval upon delivery at Buyer's place of business. Buyer reserves the right to reject and refuse acceptance of merchandise which is not in accordance with the instructions and specifications of the merchandise ordered or not in compliance with Seller's warranty (expressed or implied). Merchandise not accepted will be returned to Seller at Seller's expense. Payment for any merchandise hereunder shall not be deemed an acceptance thereof.

V. Title:

Buyer shall not be deemed to accept the merchandise until Buyer actually receives, inspects and accepts such merchandise at its place of business.

VI. Risk of Loss:

Risk of loss or damage to the merchandise ordered under this contract shall not pass to the Buyer until delivery at its place of business.

VII. Warranty:

In addition to any express warranties provided by the manufacturer, the Seller, by accepting this order hereby warrants that the merchandise delivered hereunder will be in full conformity with Buyer's specifications, and such merchandise will be of merchantable quality and fit for the use intended by the parties. Seller agrees that this warranty shall survive acceptance of the merchandise.

VIII. Assignment:

No right of interest in this contract shall be assigned by either party without the written consent of the other, and no delegation of any obligation owed, or of the performance of any obligation by either Buyer or Seller shall be made without the written consent of the other party.

IX. Compliance with Laws:

In accepting this order, Seller represents that it has complied and will continue during the performance of this order to comply, with the provisions of all applicable Federal, State, Provincial and/or local laws and regulations.

X. Patents:

Seller undertakes and agrees to defend at Seller's own expense, all suits, actions or proceedings in which Buyer or the users of any of Buyer's merchandise are made defendants for actual or alleged infringement of any U.S., Canadian or foreign letters patent resulting from the use or sale of the items purchase hereunder, and further agrees to pay and discharge any and all judgements or decrees which may be rendered in any such suit, action or proceeding against such defendants therein.

XI. Buyer's Offer:

This order is buyer's offer to purchase goods and/or services described on reverse hereof from seller. Buyer's placement of this order with seller is expressly conditioned upon seller's acceptance of all the terms and conditions of purchase contained on or attached to this order.

XII. Services:

All work performed herein shall be in accordance with the "Condition of Work Agreement" as agreed and signed, by the seller, prior to the issuance of this Purchase Order (if applicable).

NOTICE TO CONTRACTORS

WORK PERMIT AND ACCESS LOGBOOK INSTRUCTIONS

British Columbia Ferry Services Inc. is instituting a contact, log in/log out policy for all contract and/or service providers entering our worksites to provide service to BC Ferries. Contact is to be in person as follows:

On all Large Vessels:

- Contact the Chief Steward, during operational hours, for routine service of the Contractor's machines, i.e. telephones, games machines etc.
- Contact the Sr. Engineer on watch for any service which requires the removal or addition of equipment or machinery and for any service provided during non-operational hours.

On all Minor vessels:

- Contact the Sr. Engineer on watch at all times.

On Major Terminals:

- Contact the Terminal Supervisor

On Minor Terminals:

- Contact the senior Terminal Attendant on duty.
- Contact names and telephone numbers to be provided to the successful contractor upon award of order.
- Contractor's Safety Guidelines attached. All contractors are required to follow procedures as outlined in the attached



**CONTRACTOR'S
SAFETY
GUIDELINES**

Companion to:

**BC FERRY SERVICES
Fleet Regulation Manual**

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I. SAFETY AT BC FERRIES

At BC Ferries safety comes first!

We believe that every job can be done safely within the Workers' Compensation Board Health and Safety Regulations. There is no job which requires a worker to put their health or life in danger. We don't expect you to do it and we don't want you to do it.

The purpose of this booklet is to provide you with some of the basic requirements and precaution to help make your time at BC Ferries accident free.

Please read this booklet thoroughly and ask if there is anything you don't understand. This booklet also contains important emergency contact phone numbers so it is recommended that you keep it with you at all times.

SAFETY AND ENVIRONMENTAL PROTECTION POLICY

Safety of life, prevention of injury to passengers and employees, and protection of the environment shall always be given highest priority in the operation of BC Ferry Services vessels and terminals.

II. WHO IS RESPONSIBLE FOR SAFETY

BC Ferries is responsible for:

- Ensuring that you are informed of the hazards you will encounter at the work site and are provided with BC Ferries Contractor's Safety Guidelines.
- Providing you with a safe work place and addressing safety concerns.
- Providing you with the knowledge of emergency procedures which you may need.

Workers are responsible for:

- Working in a safe and professional manner.
- Using the proper personal protective equipment for the job and area.
- Using only tools and equipment which are in safe working condition.
- Following safe work procedure.
- Reporting and/or correcting any unsafe acts, conditions or equipment.

- **Housekeeping.**
- **Reporting all injuries to your supervisor without undue delay.**

Contractor is responsible for:

- **Complying with W.C.B. Regulations.**
- **Providing a copy of their Safety Program and Safe Work Procedures to BC Ferries for review.**
- **Pre-assessment and planning and conducting their work in a safe manner.**
- **Supervising workers in the safe performance of their job.**
- **Providing workers with the proper personal protective equipment and instructing them in its proper use.**
- **Ensuring equipment and tools are in safe condition, inspected and certified as may be required.**
- **Ensuring that weekly crew safety meetings (toolbox meetings) are held and that questions and concerns on safety are addressed.**
- **Housekeeping.**

Work Permit and Access Log in System:

- **All contractors must be familiar with the requirements for signing in and signing out of BCFS worksites. For details, see the requirements in section 10.05 of the Fleet Regulations manual. The initiator of the contract has a copy.**
- **All repair requisitions, work orders and purchase orders contain a "Mandatory Safety Requirement" check list and this pre-assessment must be filled out where applicable prior to work commencing.**

III GENERAL INFORMATION AND SAFETY

- **Obey all speed limit signs posted on Terminals.**
- **Designated parking sites can be discussed prior to commencement of work.**
- **Smoking is not permitted inside buildings, or in hazardous outside areas.**
- **Ensure that any equipment that you are using is in good working order.**

- Asbestos is a recognized hazard. Should you encounter material you suspect of being asbestos, report it to your supervisor immediately so appropriate steps can be taken to deal with this hazard safely.
- Contribute to safe working conditions, practice good housekeeping and pick up after yourself.
- Hazardous work areas must be barricaded off in order to prevent unauthorized access and possible injury.
- The use or possession of drugs or alcohol is prohibited.
- BC Ferries employees are more familiar with our operation. If you have any safety questions, please ask, we will be happy to assist you.

IV. SOLVING SAFETY PROBLEMS

W.C.B. O.H.& S. Reg. 3.10: Whenever a person observes what appears to be an unsafe or harmful condition or act the person must report it as soon as possible to a supervisor or to the employer, and the person receiving the report must investigate the reported unsafe condition or act and must ensure that any necessary corrective action is taken without delay.

When you see a safety hazard or what you believe to be a safety hazard, use the following guidelines to resolve the problem:

Safety problems with site or equipment

- Speak with your supervisor or safety representative.
- Correct the problem yourself if able to do so safely.
- Ask another worker to correct it if able to do so safely.
- Discuss at crew safety meeting.

Safety problems with the actions of another worker

- Discuss concerns with worker.
- Discuss with your supervisor or safety representative.

V. PERSONAL PROTECTIVE EQUIPMENT

- Personal flotation devices must be used where required by WCB reg. 8.26.
- Safety footwear is compulsory in all work areas where required.
- Hard hats are compulsory in all work areas in which a potential hazard to the head exists from falling, flying or thrown objects, or from other harmful contacts.
- Ensure you wear personal protective equipment such as gloves, clothing, etc. on all jobs where they are required.
- High visibility traffic vests must be worn when working in traffic.
- Respirators must be used where required and;
 - must be of the type appropriate to the hazard; and
 - proof of a current fit test must be available.

VI. EMERGENCY PROCEDURES/FIRST AID

When requested by BCFS, it is mandatory for Contractors to provide a copy of Emergency Procedures specific to the job they are working on. Details of Emergency Procedures can be established at the Site Toolbox Meeting to be held prior to the commencement of the job. Emergency Procedures must be posted where all employees have access (lunchroom, etc.).

A list outlining who and how to call at various locations, as well as Routes to nearest hospital must be available.

Location of First Aid room should be discussed at the Toolbox Safety Meeting prior to commencement of work.



VII. LOCK-OUT

YOUR LOCK NUMBER IS: _____

No equipment which may pose an electrical, mechanical, chemical or other hazard to workers will be worked on without being locked-out.

- Every worker working on any equipment requiring lock-out will place a personal lock on each isolation point for that equipment.
- No worker will work under another worker's lock or a supervisor's lock.
- No worker will place or remove another worker's lock.
- Isolation of equipment (i.e. closing valves, disconnecting electrical switch gear, etc.) can be done, but must inform a BC Ferries representative.

GUIDELINES FOR LOCK-OUT PROCEDURE

Before commencing maintenance or repairs to any machinery or equipment, all employees who have been authorized to perform these duties and where the inadvertent startup or movement of that equipment could constitute a hazard to himself or others, must, without fail - ensure that all parts, extensions and attachments have been secured against inadvertent movement and that all control devices have been locked-out at the correct main source of energy control.

1. BE SURE EQUIPMENT IS STOPPED.
2. STAND TO THE SIDE TO PULL THE DISCONNECT SWITCH.
3. MAKE SURE YOU HAVE THE CORRECT MAIN MANUAL CONTROL.
4. LOCK THE CORRECT MAIN SOURCE OF ENERGY CONTROL WITH YOUR PERSONAL "LOCK AND TAG".
5. TRY START BUTTON TO MAKE SURE MACHINE IS OUT OF OPERATION THEN RETURN TO THE "OFF" POSITION.
6. RELEASE STATIC PRESSURE IN HYDRAULIC, AIR AND WATER LINES.
7. FILL OUT AND SIGN 'LOCKOUT PERMIT'.
8. PROCEED WITH NECESSARY WORK.
9. WHEN WORK IS FINISHED AND ALL PERSONS ARE IN THE CLEAR, WHERE PRACTICAL, EQUIPMENT SHOULD BE TURNED OVER BY HAND PRIOR TO REMOVING YOUR LOCK AND TAG.
10. THE EQUIPMENT SHOULD BE "JOGGED" BY THE INTERMITTENT APPLICATION OF POWER BEFORE CONTINUOUS POWER IS APPLIED.
11. DON'T FORGET TO REMOVE YOUR LOCK!
12. NEVER ASSUME THE JOB IS "TOO SMALL" TO MERIT A LOCK-OUT.

VIII. ASBESTOS

BCFS shall minimize exposure of employees of asbestos containing materials through the preferred use of alternate products, the use of appropriate working procedures, the use of personal protective equipment, and the removal of this product where it poses a continued hazard.

A review of the BCFS policy and procedures for 'Asbestos Work' must be performed prior to any work on ACM commencing.

THE GOLDEN RULE TO FOLLOW IS:

IF YOU HAVE THE SLIGHTEST DOUBT ABOUT THE CONTENT OF ANY FIBROUS MATERIAL, TREAT IT AS ASBESTOS CONTAINING MATERIAL AND REPORT IT TO YOUR SUPERVISOR.

YOUR CO-OPERATION IS VITAL FOR A SAFE WORKING ENVIRONMENT

IX: CONFINED SPACE ENTRY

Confined Space Entry must be complied with according to W.C.B. Regulations.

- Testing must be done by a qualified person.
- If acceptable levels cannot be obtained, no entry will be permitted.
- It is mandatory that testing be done and recorded *prior* to entry and for each re-entry if a confined space is vacated for more than twenty minutes.

A review of the BCFS work procedures for confined space entry must be performed prior to working in any confined space.

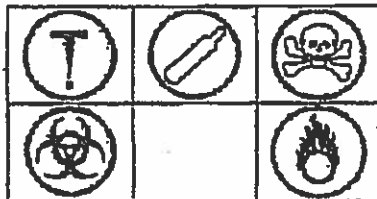
For entry into Valve Pits, please request a copy of Valve Pit Entry Procedures outlining conditions and procedures from Terminal Maintenance offices.

X. WHIMS

All construction workers shall have **WORKPLACE HAZARDOUS MATERIALS INFORMATION SYSTEM (WHMIS)** training. If you haven't had this training, speak to your employer.

Read WHMIS labels on containers of all materials you will be handling. Your supervisor will have Material Safety Data Sheets (MSDS) available to you for all materials you will be handling. The labels and MSDS contain the information you need to safely handle these products.

MSDS for all materials used by BC Ferries are available for you to read.





I. SCAFFOLDING AND MANLIFTS

Safety harness and life lines must be used on all work above (10) feet where no guardrails or handrails are present, and on suspended work platforms. Only qualified tradesmen may erect or alter scaffolding. (Refer to W.C.B. O.S.& H. Reg. Section 11 & 13).

Only certified manlifts may be used.



XII. EMERGENCY PHONE NUMBERS:

SUPERINTENDENT CONTACT:	Office: Fax: Cellular: Other:
OPERATIONS MANAGER CONTACT:	Office: Fax: Cellular: Other:
TRADES SUPERVISOR CONTACT:	Office: Fax: Cellular: Other:
PROJECT SUPERVISOR CONTACT:	Office: Fax: Cellular: Other:
CONTACT:	Office: Fax: Cellular: Other:
CONTACT:	Office: Fax: Cellular: Other: