

MODEL LEASE CLAUSE

Require Tenant to Meet Four Conditions to Keep Security Deposit Concession

The following Model Lease Clause was drafted with the help of Toronto solicitor Joseph Grignano. Put it in your lease if you agree to give the tenant a security deposit concession. Show this clause to your attorney before putting it into your lease.

SECURITY DEPOSIT CONCESSION

- a. Concession.** Notwithstanding anything to the contrary, Tenant's obligation to provide Landlord with a security deposit under Clause *[insert # of security deposit clause]* hereof shall be *[choose one:]* suspended or partially suspended so that Tenant shall provide a security deposit of only *[\$[insert amt.]*, so long as Tenant continues to satisfy all of the following four conditions:
- (i) Tenant is *[insert name of original tenant]*;
 - (ii) Tenant is itself in occupation of and actively conducting business in the whole of the Premises as permitted pursuant to this Lease;
 - (iii) Tenant is not in default under any covenant, condition, or agreement of this Lease more than *[insert #, e.g., one (1)]* time within any twelve (12)-month period, irrespective of whether or not such default is cured; and
 - (iv) Tenant has a net worth of not less than *[\$[insert amt.]*, as evidenced by current audited financial statements.
- b. Loss of Concession.** If at any time Tenant fails to satisfy any of the foregoing conditions, then Tenant shall deposit with Landlord the *[add if a partial concession: remaining]* security deposit funds contemplated by Clause *[insert # of security deposit clause]* hereof. Should Tenant fail to deposit all of the required funds within *[insert #, e.g., five (5)]* days after written request therefor by Landlord, Landlord shall have all of the same remedies for and rights of recovery with respect to the payment of the security deposit as it has for nonpayment of Rent under Clause *[insert # of remedies clause]* hereof or at law.