

MODEL LEASE CLAUSE

Tenant Loses Free Rent Upon Default

The following lease clause was drafted by Chicago attorney Neil T. Neumark. It gives the tenant free rent for certain months, but it says that the tenant must pay the free rent already used if it defaults under its lease.

Paragraph a lists the free-rent months for minimum rent. Paragraph b says that the tenant must still pay additional rent—such as operating

expenses and taxes—during the free-rent months. Paragraph c says that the free rent is conditioned on the tenant's not committing a default. Paragraph d says that if the tenant defaults under the lease, all of the free rent used by the tenant becomes due immediately, and the free rent for the remainder of the lease immediately becomes void.

Show this clause to your attorney.

RENT ABATEMENT

- a. **Abatement Months.** No Minimum Rent shall be due for the following months (the "Abatement Months") collectively: [*insert months and years*] (the "Rent Abatement").
- b. **Additional Rent.** Notwithstanding the foregoing, Tenant shall pay all Additional Rent and other costs and expenses due by Tenant under the Lease accruing during the Abatement Months.
- c. **Conditional Rent Abatement.** The Rent Abatement is conditioned upon Tenant's not having committed an Event of Default under this Lease.
- d. **Event of Default.** If Tenant commits an Event of Default, then
 - (i) Tenant shall immediately pay to Landlord upon demand a sum equal to the total amount of Rent Abatement which has been used by Tenant as of the date of the occurrence of such Event of Default, and
 - (ii) All of the Rent Abatement which has not been used by Tenant as of the date of the occurrence of such Event of Default shall thereby automatically terminate and become null and void, and Tenant shall thereafter pay all Minimum Rent when due under this Lease, without regard to the rental abatement provisions of this Lease.