Index

Abandoned chattels. See chattels abandoned by tenant

Abandonment of distress, 90-91

Abandonment of premises -

chattels, dealing with those abandoned by tenant, 227-244 fraudulent removal of goods, 102-103 remedies action for damages, 225-226 demand performance of lease, 213-214 generally, 211-213 injunctive relief, 215-225 re-let premises as agent of tenant, 214-215 termination on, 80-82, 226-227

Action for arrears. See Arrears of rent, remedies

Action for damages —

abandonment of premises, 225-226 breach of covenant (other than payment of rent), remedies, 102-103

Administration of lease, 2

Alternative dispute resolution. See Arbitration and mediation

Appraisal of seized goods, 44, 92-93

Appraiser's fees, 60-62

Arbitration and mediation —

arbitration agreement, arbitration, 419-420 appeals, 419 arbitration clauses, 417-418 arbitrator expert in particular field, 419 powers of, 417

Arbitration and mediation — *continued* arbitration — *continued* enforcement of award, 420-421 sample agreement, 432-437 generally, 409, 421-422 hidden costs of litigation --damage to business relationships, 409-410 emotional costs and stresses, 410 opportunity costs, 410 uncertainty of outcome, 410 unfavourable publicity, 411 lease, inclusion of dispute resolution mechanism, 421 sample provisions, 423-427 mandatory mediation --advantages of, 415-416 generally, 412-414 sample agreement, 428-431 session, 414-415

Arrears of rent, remedies —

court action for procedure generally, 71-74 Small Claims Court, 69 Superior Court of Justice, 70-71 distress. *See* Distress; Sale of goods; Seizure of goods landlord's options, generally, 13 terminating the lease, 75-83; *see also* Termination of lease

Bailiffs —

Costs of Distress Act, 90, 244 definition under Bailiff's Act, 243-244 distress and, 31-32 duties before exercising remedy, 85 fees, 60-62 generally, 243-244 Notice of Authorization and Indemnification Agreement, sample document, 96

Bankruptcy and Insolvency Act, corporate reorganization of tenant under, 260-266

Bankruptcy and insolvency of tenant — assignment of leases by tenant, 279

Bankruptcy and insolvency of tenant — continued commercial reorganization -Bankruptcy and Insolvency Act, 260-266 Companies Creditors' Arrangement Act, 249-259 distress prohibited, 276 effect on landlord's right of distress, 55-56 generally, 245-246, 266-269, 283 guarantors and indemnitors, 278 landlord's preferred claim, 269-274 leases assignment of leases by tenant, 279 retention or assignment of leases by trustee, 279-281 occupancy of premises, 283 occupation rent, 274-276 preferred claim of landlord, 269-274 prepaid rent and security deposits, 277 receivership of tenant, 246-249 court appointment, 248-249 private appointment, 247-248 recent case law, 567-570 retention or assignment of leases by trustee, 279-281 right of termination and, 118 security deposits, 277 subtenant, rights of, 281-282 trustee, retention or assignment of leases by, 279-281

Binding and enforceable lease, recent case law, 548-553

Breach of covenant (other than payment of rent), remedies action for damages, 102-103 damages, quantifying, 114-118 claim for lost future rent, 114-115 mitigation, 116-118 notice, 115-116 injunctions, 103-104 remedies generally, 101 repair, 2118-120 specific performance, 104-105 termination of lease and action for damages claim for lost future rent, 114-115 corporate veil, piercing, 109-111 damages, 108-109 notice for non-rental default, 105-108

Breach of covenant (other than payment of rent), remedies — continued

termination of lease and action for damages — *continued* notice of termination, 105 waiver by landlord, 111-114

use, 120-122

Breach of lease, decision tree, 12

Changing locks —

distress and, 10, 38, 42-42, 45-46, 60, 64, 85, 86-87 occupation of premises by bankruptcy trustee, 275-276 termination, 7, 41, 45-46, 60, 64, 65, 77-78, 86, 93, 95

Chattels abandoned by tenant —

abandonment, 228-232 bailee, landlord as, 232-234 bailiffs, dealing with, 243-244 checklist, 242-243 *Commercial Tenancies Act*, and, 237 contractual nature of commercial tenancy, 241-242 generally, 227, 242 1976 Law Reform Commission Report, proposals of, 240-241 *Residential Tenancies Act*, 2006, and, 238-240 sale of property under *Repair and Storage Liens Act*, 234-237

Commercial impracticability test (U.S.), 495; see also Force majeure

Commercial Tenancies Act —

chattels abandoned by tenant, and, 237 distress inventory, s. 53, 42 time and place restrictions under, 32 wrongful, 46, 555 fraudulent removal of goods, s. 50, 11 non-monetary default provision, 456, 459, 460, 590 re-entry for non-payment of rent, s. 18(1), 399, 446-447 restrictions on landlord's entry into premises, 232 termination under, 78, 86, 101, 226

Companies Creditors' Arrangement Act, corporate reorganization of tenant under —

classification, 259 critical suppliers, 253-254

Companies Creditors' Arrangement Act, corporate reorganization of tenant under — continued disclaimer and termination of lease, 257-258 generally, 249-251, 260 landlord's claim, 258 occupation rent, 256-257 stay of proceedings, 251-253 carve out and stay lifting orders, 255-256 exceptions to stay, 253-254 impact on business and use clauses, 256 lifting the stay, 254

Concessions, franchises and licences clause, 169-171

Conduct of business clause —

generally, 146-168 impact of stay of proceedings under CCAA on, 256

Construction Lien Act —

carve out orders, and, 256 landlord's right to seize goods, and, 65-66 terminating the lease, and, 76, 83, 108, 590

Costs of Distress Act, 90, 244

Covenant for quiet enjoyment. See Quiet enjoyment, covenant for

Covenant to open with go-dark/recapture right, 208

Defaulting tenant —

extension or renewal rights, and breaches, spent and subsisting, 339-344 estoppel by conduct, 344-349 forfeiture, relief from, 349-354 generally, 335-337, 354-355, 335-337, 354-355 no-default precondition, 337-339 waiver and estoppel by conduct, 344-349 generally, 85-86 Notice of Rent Default, 595, 597 trigger for distress remedy, 16-17 types of default, 3-4

Deficiency, landlord's action for, 51

Definitions —

bailiff, under *Bailiff's Act*, 243-244 breach of covenant for quiet enjoyment, 363-364 distress, 14-16 force majeure, 488, 489 rent, s. 1 *Real Property Limitations Act*, 398-399

Dispute resolution mechanism, inclusion in lease, 421; *see also* Arbitration and mediation

Distress —

appraisal of goods seized, 92-93 appraiser's fees, 60-62 bailiff's fees, 60-62 bankruptcy, effect on landlord's right, 55-56, 89, 279 basic principles, 85-91 changing locks, 41-42, 86-87 default by tenant, 85-86 definition. 14-16 Distress Warrant, sample document, 97-98 entry, 64, 88 exercising remedy ---bailiffs, 31-32 entry into premises, 31-37, 91-92 generally, 29-30 prior notice not required, 30 sale of goods, 47-51 seizure of goods, 37-47, 92 trigger for remedy, 16-17 warrant, 30, 91, 97 expenses of, 87 fees, appraiser's and bailiff's, 60-62 fraudulent removal of goods, 53-54, 88-89, 102-103 generally, 8-10, 56-60, 62-65 goods subject to distress conditional vendors, 25 fixtures, 19-22 leased goods, 26-28 money, 23 perishable articles, 22-23 statutory exemptions, 23

Distress — continued goods subject to distress - continued subtenants, goods of, 28-29 third parties, goods of, 24-25 wild animals, 23 illegal and irregular distress, 51-53, 87 loss of right, 17-18 Notice of Distress, 91, 603 overholding tenant, 18-19, 553-554 recent case law, 555-561 sales tax arrears, effect of tenant's, 89-91 second distress, 54, 89 seizure and sale, 88 statutory exemptions, 23 tenant's "midnight run", 11 termination, vs., 10-11, 86 trigger for remedy, 16-17

Due diligence by landlord, 1-2

Duress, test for, recent case law, 547-548

Duty of good faith —

case law, 386-388, 583-584 contract performance, and, 390-391 generally, 383, 388-390, 392 history, 383-386 reconciliation statement and, 406

Entry into premises —

physical entry, restrictions on, 35-37 time and place, restrictions on, 32-35, 88

Environmental considerations —

above ground storage tanks (AST), 450 asbestos containing material (ACM), 448 building condition assessment, (BCA), 445 designated substances, remediation of, 446-447 designated substances surveys (DSA), 445-446 disclosure before execution of offer to lease, 453-454 dry cleaning operations, 448-450 environmental assessments, 441-443 environmental site assessment (ESA), 439, 442-444, 445, 449

Environmental considerations — *continued* fixturing period, 456-458 gasoline service stations, 450-451 above ground storage tanks (AST), 450 property adjacent or in the vicinity of, 451 Technical Standards and Safety Authority (TSSA), 450 underground storage tanks (UST), 450 generally, 439-440 hazardous substances representation, 454-455 high risk historic uses, 448-451 indemnification for environmental damage, 462 insurance generally, 451-452 real estate portfolio insurance, 452 tenant purchased insurance, 452 intrusive investigations, 443-444 leases, and conditions precedent, 455-456 construction and remediation by tenant, 456 covenant against waste and landlord inspections, 457 defaults, non-monetary, 460 end of term of lease, 462-464 extension of lease, 464 fixturing period, 456-458 generally, 452-453 hazardous substances representation, 454-455 landlord indemnification, 457 landlord inspections, 457, 460-461 mitigate, duty to, 461 notice, inspection, defaults, termination, remediation, 460-461 offer to lease, execution of, 4453-456 remediation and financial security, end of lease, 462-464 remediation, covenant, 461 renewal and extension of lease, 464 term of lease, 458-462 termination, right of, 460-461 use clause, 455 zoning by-laws, representations, 457-458 underground storage tanks (UST), 450 use clause, 455

Extension of lease —

environmental issues, and, 464

Extension of lease — *continued* Extension of Term, 627

extension of renn, 627 extension or renewal rights of defaulting tenants breaches, spent and subsisting, 339-344, 339-344 estoppel by conduct, 344-349 forfeiture, relief from, 349-354 generally, 335-337, 354-355 no-default precondition, 337-339 waiver and estoppel by conduct, 344-349

Fixtures, distress and, 19-22

Fixturing period, environmental damage during, 456-458

Force majeure allocation of risk, 509-510 case law, 493-498 commercial impracticability test (U.S.), 495 definition, 488, 489 drafting clause, 499-502 duration, mitigation and good faith, 506-507 foreseeability, 502-503, 505 frustration, doctrine of, 491-493 generally, 487-488, 510 good faith, 4507 health emergency article, 509, 517-525 Hurricane Katrina, 497-498 impossibility test, 495 insurance, 509-510 interpretation of clauses, 489-493 mitigation, 506-507 notice provision, 508 onus, 504 other lease provisions and, 507-508 purpose of clause in commercial leases, 488-489 sample clauses, 510-525 SARS, 501, 503-504, 505 strike as, 504 taking control of determination of when event has occurred, 509 triggering events, 503-506 9/11 terrorist attacks, 490, 497-498, 501

Franchises clause, 169-171

Fraudulent removal of goods, 53-54, 88-89, 102-103

Good faith. See Duty of good faith

Go-dark/recapture right, covenant to open with, 208

Goods and distress-

appraisal of goods seized, 92-93 conditional sales, goods subject to, 25 fixtures, 19-22 fraudulent removal of goods, 53-54 goods subject to distress, 19-29 leased, 26-28 money, 23 perishable articles, 22-23 priorities, competing, 65-68 sale of goods, 47-51, 88 seizure of goods, 937-47, 88 statutory exemptions, 23-24 subtenants, 28-29 third parties, goods of, 24-25 wild animals, 23

GST and provincial HST, 625

Guarantee and indemnity agreements-

generally, 285-286, 294 guarantee vs. indemnity, 290-294 surety as primary or secondary obligation generally, 286-287 guarantee as secondary obligation, 289 indemnity as primary obligation, 288

Hidden costs of litigation -

damage to business relationships, 409-410 emotional costs and stresses, 410 opportunity costs, 410 uncertainty of outcome, 410 unfavourable publicity, 411

Illegal vs. irregular distress, 51-53, 87

Impossibility test, 495; see also Force majeure

impounding/securing seized goods, 44-47

Indemnifiers, recent case law, 564-566

Indemnity Agreement, 613

Indemnity clauses, drafting —

concerns, 308-309 generally, 295-296, 306-307, 322-333 interpretation, 307-308 rationale for inclusion in contracts, 310 sample clause, 319 traps, 310-311, 319-322

Injunctive relief —

abandonment of premises and, 215-225 breach of covenant, 103-104 quiet enjoyment, 382

Insolvency of tenant. See Bankruptcy and insolvency of tenant

Insurance and related lease provisions -

business interruption insurance, payment of rent, 479-480 damage and destruction provisions business interruption insurance, payment of rent, 479-480 damage that triggers provisions, 477-478 generally, 476-477 leasehold improvements and lease termination ---damaged, 482-483 undamaged, 484 Mortgages Act, 479 proceeds of insurance, 478-479 re-building, expectations for design and other physical aspects if, 479 rent abatement, 479-481 rental interruption insurance, landlord's, 480 repair and, 465-467 termination damaged leasehold improvements and, 482-483 undamaged leasehold improvements and, 484

Insurance and related lease provisions — continued damage and destruction provisions - continued termination rights, 481-482 time frame for repair, 478 environmental insurance, 451-452 generally, 484-485 indemnities, 474-476 liability, 467-470 common law, 467-468 contract, breach of, 467-468, 469 endorsements, 469-470 statutes, 468 trust, breach of, 467 rental interruption insurance, landlord's, 480 repair and damage and destruction clauses, 465-467 risk allocation, 470-471 subrogationexpress release, 473-474 generally, 471 implied release, principle of immunity, 474 protection from subrogated claim, 472 waiver, 472-473

Inventory of seized goods, 42-43

Investment Canada Act, 180

Irregular vs. illegal distress, 51-53, 87

Landlord —

bailee, as, 232-234 indemnification for environmental damage, 457, 462 liability when exercising distress remedy, 49-50 practical hints for, 589-593 preferred claim of landlord in event of tenant's bankruptcy, 269-274 Quebec, in. *See* Quebec, landlord's right and remedies in rights on termination, 78-80

Law Reform Commission Report (1976), proposals regarding abandoned chattels, 240-241

Lease provisions — dispute resolution mechanism, 421

Lease provisions — *continued* dispute resolution mechanism - continued sample provisions, 423-427 environmental considerations, 439-464 conditions precedent, 455-456 covenant against waste, 457 fixturing period, damage during, 456 hazardous substances covenant, 458-460 indemnification of landlord, 457, 462-464 landlord inspections, 457 notice, inspection, defaults, termination, remediation, 460-461 offer to lease, 454-455 remediation and automatic lease extension, 463 renewals and extensions, 464 use clause, 455 zoning by-laws, representations on, 457-458 Extension of Term, 627 insurance and, 465-485; see also Insurance and related lease provisions limitation of liability exculpatory clauses example, 311 generally, 296-298 rationale, 304-306 generally, 295-296, 322-333 immunity, principle of, 302-304 Negligence Act, 298-299, 312-313 subrogation, 299-300 third-party benefit rule, 300-301 mandatory operating clauses covenant to open with go-dark/recapture right, 208 generally, 185-186, 204, 208-209 liquidated damages/penalty clause, 206-207 notices. 4 radius clause, 180-183 recommended, 2 use clauses. See Use of premises

Leased goods, distress and, 26-28

Limitation of liability clauses — case law, 313-318

exculpatory clauses example, 311

Limitation of liability clauses — continued

exculpatory clauses — *continued* generally, 296-298 rationale, 304-306 generally, 295-296, 322-333 immunity, principle of, 302-304 *Negligence Act*, 298-299, 312-313 subrogation, 299-300 third-party benefit rule, 300-301

Limitation period, real property. See Real property limitations period

Litigation, hidden costs of —

damage to business relationships, 409-410 emotional costs and stresses, 410 opportunity costs, 410 uncertainty of outcome, 410 unfavourable publicity, 411

Lost future rent, claim for, 114-115

Mandatory operating clauses —

case law by province — British Columbia, 188-189, 204 generally, 186-187 Manitoba, 190-191 New Brunswick, 202, 204 Newfoundland, 203, 204 Nova Scotia, 202-203, 204 Ontario, 191-196, 204 Quebec, 196-202, 204 Saskatchewan, 190, 204 covenant to open with go-dark/recapture right, 208 generally, 185-186, 204, 208-209 other remedies generally, 205-206 liquidated damages/penalty clause, 206-207

Mediation, mandatory -

advantages of, 415-416 generally, 409, 412, 414 hidden costs of litigation damage to business relationships, 409-410 emotional costs and stresses, 410

Mediation, mandatory — continued hidden costs of litigation — continued opportunity costs, 410 uncertainty of outcome, 410 unfavourable publicity, 411 lease, inclusion of dispute resolution mechanism, 421 sample agreement, 428-431 session, 414-415

"Mdnight run", 11

Mitigation —

force majeure and, 506-507 landlord, by, 116-118 recent case law, 585-586

Money, distress and, 23

Mortgages Act, insurance and, 479

No waiver clause, 113

Notices —

Notice of Authorization and Indemnification Agreement, sample document, 96
Notice of Distress, 91, 603
Notice of Rent Default, 595, 597
Notice of Termination, 605, 607
Notice to Tenant of Breach of Covenant, Section 19(2), 599
Notice to Terminate, sample document, 99

Observance of law clause, 171-180

Operating clauses. See Mandatory operating clauses

Option to Renew, 621

$Overholding - \!\!\!\!\!-$

distress remedy and, 18-19 recent case law, 553-554

perishable articles, distress and, 22-23

Personal Property Security Act —

deposit as unregistered security interest under, 563-564 enforceability of security agreement on tenant's goods, 111 fixtures, and, 22 liens created by statute or operation of law excluded from, 15 search, 63, 93, 243 security interest for amount owing under lease, 269

Practical hints for commercial landlords, 589-593

Priorities, competing interests in tenant's goods, 65-68

Prohibited activities, use of premises, 144-146

Quebec, landlord's right and remedies in default of tenant damages, 535-536 generally, 530-531 specific performance, 536-541 termination of lease, 531-535 generally, 527-528, 545-546 leases in capacity, 529 cause, 530 consent, 529 good faith, 528-529 object, 530 mandatory operating clauses, case law, 196-202 rights and remedies, generally, 527-528 movable hypothec, 543-544 security deposit, 544-545 suretyship, 541-543 specific performance, 536-541 termination of lease, 531-535

Quiet enjoyment, covenant for -

breach defined defective title, 363 scope of covenant, 364-369 substantial interference with enjoyment of property, 364, 369-375

Quiet enjoyment, covenant for — continued express covenant, 360-363 generally, 357-358, 382 implied covenant, 358-360, 363 remedies for breach damages, 380-382 end of lease not brought about by breach, 377-380 injunctive relief, 382

Radius clause, 180-189

Real Property Limitations Act —

arrears of rent, s. 17, 400-404 overpayment of rent, 404-405 recovery of rent, s. 4, 399-400 rent definition, s. 1, 398-399

Real property limitations period —

contracting out, 407-408 dual limitation regime in Ontario, 396-397 dual nature of lease, 397-398 duty of good faith, 406 limitations statutes, reform, 393-395 *Real Property Limitations Act* arrears of rent, 400-404 overpayment of rent, 404-405 recovery of rent, 399-400 rent definition, 398-399 recent case law, 586-588

Receivership of tenant —

court appointment, 248-249 generally, 246-247 private appointment, 247-248

Remedies —

abandonment of premises action for damages, 225-226 demand performance of lease, 213-214 generally, 211-213 injunctive relief, 215-225 re-let premises as agent of tenant, 214-215

Remedies — *continued* arrears of rent, court action for -procedure generally, 71-74 Small Claims Court, 69 Superior Court of Justice, 70-71 bankruptcy of tenant. See Bankruptcy and insolvency of tenant breach of covenant. See Breach of covenant (other than payment of rent), remedies distress. See Distress; Sale of goods; seizure of goods generally, 5-8 mandatory operating clauses; and see Mandatory operating clauses quiet enjoyment, breach of covenant damages, 380-382 end of lease not brought about by breach, 377-380 injunctive relief, 382 rent arrears, landlord's options generally, 13; see also Arrears of rent, remedies termination of lease. See Termination of lease

Renewing lease —

environmental issues, and, 464 Option to Renew, 621 renewal or extension rights, defaulting tenant and breaches, spent and subsisting, 339-344 estoppel by conduct, 3344-349 forfeiture, relief from, 349-354 generally, 335-337, 354-355 no-default precondition, 337-339 waiver and estoppel by conduct, 344-349

Rent arrears. See Arrears of rent, remedies

Repair and Storage Liens Act, sale of abandoned property under, 234-237, 243

Repair, breach of covenant regarding, 118-120

Residential Tenancies Act, 2006 abandoned chattels and, 238-240 retail premises with residential accommodations, 547-548

Retail premises with residential accommodations, case law, 547-548

Retail Sales Tax Act —

liability of landlord under, 49-50, 235 liens under, 89-91

Sale of goods -

action for deficiency, 51 appraisal and, 64-65, 92-93 deficiency, 65 landlord's liability, 49-50 obligations of purchaser, 50 *Personal Property Security Act* search, 93 proceeds of sale, disposition of, 50-51, 93 process, 47-49, 88 PST liability, 93

Sales tax arrears, effect of tenant's, 89-91

Security generally, 2 security agreement provisions forming part of lease, 609

Security deposits, recent case law, 561-564

Seizure of goods -

appraisal, 44 changing locks, 41-42, 86-87 generally, 64, 88 impounding/securing, 44-47 inventory of goods, 42-43 notice of seizure, 37-38 physical seizure, 38-41

Specific performance —

abandonment of premises, demand performance of lease, 213-214 breach of covenant (other than payment of rent), 104-105 mandatory operating clauses, and *see* Mandatory operating clauses Quebec, in, 536-541

Substantial interference, breach of covenant of quiet enjoyment and, 364, 369-377

Subtenant, goods of, distress and, 28-29

Super lien holders, 90

Tax clearance certificate, 89-90

Technical Standards and Safety Authority (TSSA), regulation of storage tanks and service stations, 450

Termination of lease —

abandonment of premises, 80-82 breach of covenant, and; see also Breach of covenant (other than payment of rent), remedies distress, vs., 10-11, 86 election upon failure to pay rent, 75 generally, 82-83, 93-94 landlord's rights on terminationgenerally, 878-80 recent case law, 570-583 mitigation by landlord, 116-118 notice of termination, 75-76, 98, 99, 605, 607 preparation, 94-95 procedures action for possession, 78 physical re-entry, 77-78, 95 summary procedure under Part III of Commercial Tenancies Act, 78 relief from forfeiture, 95 rent arrears, and, 13 strict compliance, 76-77

Third parties, distress and goods of, 24-25

Use of premises -

assignment of lease and use clauses, 122 community of interest, 121-122 concessions, franchises and licences, 169-171 conduct of business, 146-168 exclusive covenant, 121-122 general use clauses to be avoided, 120 *Investment Canada Act*, 180

Use of premises — *continued* observance of law, 177-180 prohibited activities, 144-146 radius clause, 180-183 sublease and use clauses, 122 use clausesgenerally, 143-144 impact of stay of proceedings under CCAA on, 256 use clauses, examples and suggestionsairlines, 124 art shop, 124 bagel shop, 124-125 bakery, 125 barber shop, 125 beauty salon, 126 books and stationery, 126 bowling alley, 126 camera store, 126 candy store, 127 catalogue showroom, 127 clothing, 127-128 delicatessen, 132-134 department store, 129 dollar store, 129 drapery store, 129-130 drug store, 130 dry cleaning, 130 environmental issues, 455 fabric store, 130-131 financial institution, 131 florist, 131 food court, 134 food store, 131 furniture store, 136 gift shop, 136-137 greeting card shop, 137 hardware store, 137-138 health food store, 138 jewellery store, 138-139 junior department store, 139 luggage and leather goods store, 139 musical instrument store, 139 non-arcade type store, 140

Use of premises — *continued*

use clauses, examples and suggestions — *continued* one-hour photofinishing store, 140 optical outlet, 141 pet shop, 141 photography studio, 141 record shop, 141 restaurant, 134-136 snack bar, 136 sportswear store, 141 supermarket, 141-142 tobacco and sundries store, 142 variety store, 142 video store, 142

Vendors, conditional, distress and, 25

Warrant, distress generally, 30, 91 sample document, 97-98

Wild animals, distress and, 23