

NOTE: It is the Property Owner's responsibility to ensure that the rent reduction agreement required for each Impacted Tenant included in the Property Owner's CECRA for Small Business Program application meets the CECRA for Small Business Program requirements and the legal requirements of your jurisdiction for a valid agreement and that any legal advice that you may consider necessary has been obtained.

The rent reduction agreement must cover the rental period from April 1 to June 30, 2020 or such longer period as may be designated from time to time by CMHC in its sole and absolute discretion and for which any Property Owner has opted under the CECRA Program. For Applications received before June 30th, the assessment of the tenant's eligibility is to be based in part on forecasted revenues. See FAQ: "Calculating 70% Forecast of Revenue Reduction in lieu of June Results".

The below Sample Rent Reduction Agreement is provided to assist you as a sample document that meets the CECRA for Small Business Program requirements; this may be used as the form of rent reduction agreement that you will be entering into with each Impacted Tenant that will be participating in the CECRA for Small Business Program.

In the event that any of the Impacted Tenants participating in the CECRA for Small Business Program are sub-tenants, this form of rent reduction agreement **must be used without modification** between you and each sub-landlord and between each sub-landlord and each sub-tenant which is an Impacted Tenant.

SAMPLE RENT REDUCTION AGREEMENT

WHEREAS _____, as lessor, (the "**Landlord**") has entered into a lease dated _____ (as such lease may have subsequently been amended, the "**Lease**") with _____, as lessee (the "**Tenant**").

AND WHEREAS the Landlord (or the applicable head landlord) intends to apply or has applied to the Canada Emergency Commercial Rent Assistance program ("**CECRA Program**").

AND WHEREAS the Landlord and the Tenant wish to enter into this Rent Reduction Agreement to amend the Lease in accordance with CECRA Program requirements.

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby mutually acknowledged, the Landlord and Tenant agree as follows:

1. This Rent Reduction Agreement is conditional upon final approval of the application to the CECRA Program made by the Landlord (or the applicable head landlord) (the "**Application**"), whereupon this Rent Reduction Agreement shall automatically become binding and effective. For greater certainty, this Rent Reduction Agreement shall have no force and effect unless and until the date on which the Application to the CECRA Program has received final approval (the "**Effective Date**"). Final approval of the Application is considered to occur upon the initial advance of forgivable loan funds under the CECRA Program.
2. The term "Lease"¹ as defined above and used herein means that agreement, regardless of how the parties may have described it (and may include a sub-lease), and any reference to the term "rent" when used in any context in this Rent Reduction Agreement means the corresponding payments by the Tenant to the Landlord for the use and occupancy of the premises under that agreement.
3. This Rent Reduction Agreement shall enure to the benefit of and be binding upon the parties hereto and their respective heirs, executors, administrators, successors and permitted assigns.
4. Rent forgiveness shall be calculated in accordance with the following provisions.

Section 4(a) applies where this Rent Reduction Agreement is made (1) between a landlord and a tenant which is an Impacted Tenant, or (2) between a sub-landlord and sub-tenant which is an Impacted Tenant.

¹ Note that in this form, the concept of lease and all related concepts are used broadly to include the concept of licence and all related concepts. Accordingly, the word "lease" includes "licence", "sub-lease" includes "sub-licence", "tenant" includes "licensee", "sub-tenant" includes "sub-licensee", "landlord" includes "licensor", "sub-landlord" includes "sub-licensor", and so on.

- (a) The Landlord hereby grants forgiveness of at least 75% of the Tenant’s gross rent otherwise payable to the Landlord under the Lease, before applicable sales taxes, in respect of the months (the “**Target Months**”) of April, May and June, 2020 (subject to extension as set forth below) (the “**Contract Rent for the Target Months**”), and the Tenant shall pay the gross rent so reduced for the Target Months, plus applicable sales taxes.
- (i) Notwithstanding the foregoing, if, and only if, the Tenant has granted any sub-lease(s) and the aggregate gross rent payable under such sub-lease(s) in respect of the Target Months (the “**Sub-Lease Gross Rent for the Target Months**”) exceeds the Contract Rent for the Target Months, then the amount of forgiveness shall be equal to at least the sum of (i) 75% of the Contract Rent for the Target Months and (ii) 50% of the amount by which the Sub-Lease Gross Rent for the Target Months exceeds the Contract Rent for the Target Months.²

The Landlord and Tenant agree and acknowledge that the Contract Rent for the Target Months, the amount of forgiveness and the Tenant’s Reduced Rent (as defined below in Section 5) are as set forth in the table below:

| | Monthly Contract Rent for the Target Months (before applicable sales taxes) | Monthly Amount of Forgiveness (before applicable sales taxes) | Monthly Tenant’s Reduced Rent (before applicable sales taxes) |
|--|--|--|--|
| April, 2020 | \$ | \$ | \$ |
| May, 2020 | \$ | \$ | \$ |
| June, 2020 | \$ | \$ | \$ |
| Average (Enter this figure into the “Gross Monthly Rent” field in the online Application) | \$ | \$ | |

If the Landlord (or the applicable head landlord) applies and is approved for an extension of the CECRA Program in respect of the Lease, then the Landlord shall notify the Tenant of same, and the “Target Months” shall automatically be deemed to include the applicable extended period, and the above table shall automatically be deemed to include one or more additional rows for the applicable extended period. The “Contract Rent for the Target Months” and (where applicable) the “Sub-Lease Gross Rent for the Target Months” for each month of the applicable extended period shall be deemed to be the average of the corresponding gross rent amounts for April, May and June.³ In this situation, the monthly dollar amount of forgiveness granted to the Tenant shall not be recalculated for such extended period; rather, it shall be equal to the average monthly rent forgiveness granted during the period of April, May and June, 2020.⁴

LANDLORDS MUST USE THIS SECTION 4(b) ONLY WHERE THEIR DIRECT TENANT IS NOT AN “IMPACTED TENANT” AND NOT ELIGIBLE FOR CECRA BUT HAS A SUB-TENANT THAT IS AN “IMPACTED TENANT”. Section 4(b) applies only where this Rent Reduction Agreement is made

² The following numerical example is provided for illustrative purposes only. Assume head-lease gross rent is \$800 and sublease gross rent is \$1,000. The amount of forgiveness of head-lease gross rent will be calculated as follows. Step 1: determine 75% of head-lease rent = \$600. Step 2: determine amount by which sub-lease rent exceeds head-lease rent and calculate 50% of that number. \$200 * 50% = \$100. Step 3: add up the figures from Steps 1 and 2. \$600 + \$100 = \$700. For further explanation and sample calculations, please refer to FAQ entitled *Calculation of Rent Reduction Amounts in Sub-Lease Scenarios*.

³ Or as otherwise determined by CMHC and communicated through the CECRA Program documents and portal.

⁴ Or as otherwise determined by CMHC and communicated through the CECRA Program documents and portal.

between a landlord and a tenant, where that tenant is not an Impacted Tenant and has granted one or more sub-leases to a sub-tenant which is an Impacted Tenant; in all other cases, Section 4(b) does not apply, and the table below should be left blank.

- (b) Notwithstanding Section 4(a) above, if this Rent Reduction Agreement is entered into between: (i) a sub-landlord (as the “Tenant” party) which is not an Impacted Tenant and has granted one or more sub-leases to a sub-tenant which is an Impacted Tenant; and (ii) its landlord (as the “Landlord” party), then Section 4(a) shall not apply, and this Section 4(b) shall apply instead. The Landlord hereby grants forgiveness of a portion of the gross rent payable to the Landlord, before applicable sales taxes, under the Lease in respect of the months (the “**Target Months**”) of April, May and June, 2020 (subject to extension as set forth below) (the “**Contract Rent for the Target Months**”). The amount of the forgiveness shall be equal to at least 75% of the gross rent otherwise payable to the Tenant, in the aggregate, by the Tenant’s sub-tenant(s)⁵ in respect of the Target Months (the “**Sub-Lease Gross Rent for the Target Months**”).
- (i) Notwithstanding the foregoing, if, and only if, the Sub-Lease Gross Rent for the Target Months exceeds the Contract Rent for the Target Months, then the amount of forgiveness shall be equal to at least the sum of (i) 75% of the Contract Rent for the Target Months and (ii) 50% of the amount by which the Sub-Lease Gross Rent for the Target Months exceeds the Contract Rent for the Target Months.⁶

The amount of the forgiveness shall be apportioned equally among the Target Months. The Landlord and Tenant agree and acknowledge that the Contract Rent for the Target Months, the amount of forgiveness and the Tenant’s Reduced Rent (as defined below in Section 5) are as set forth in the table below:

| | Monthly Contract Rent for the Target Months (before applicable sales taxes) | Monthly Amount of Forgiveness (before applicable sales taxes) | Monthly Tenant’s Reduced Rent (before applicable sales taxes) |
|--|--|--|--|
| April, 2020 | \$ | \$ | \$ |
| May, 2020 | \$ | \$ | \$ |
| June, 2020 | \$ | \$ | \$ |
| Average (Enter this figure into the “Gross Monthly Rent” field in the online Application) | \$ | \$ | |

If the Landlord applies and is approved for an extension of the CECRA Program in respect of the Lease, then the Landlord shall notify the Tenant of same, and the “Target Months” shall automatically be deemed to include the applicable extended period, and the above table shall automatically be deemed to include one or more additional rows for the applicable extended period. The “Contract Rent for the Target Months” and the “Sub-Lease Gross Rent for the Target Months” for each month of the applicable extended period shall be deemed to be the average of the corresponding gross rent

⁵ Provided such sub-tenants are Impacted Tenants and have entered into rent reduction agreements compliant with CECRA Program requirements.

⁶ The following numerical example is provided for illustrative purposes only. Assume head-lease gross rent is \$800 and sublease gross rent is \$1,000. The amount of forgiveness of head-lease gross rent will be calculated as follows. Step 1: determine 75% of head-lease rent = \$600. Step 2: determine amount by which sub-lease rent exceeds head-lease rent and calculate 50% of that number. \$200 * 50% = \$100. Step 3: add up the figures from Steps 1 and 2. \$600 + \$100 = \$700. For further explanation and sample calculations, please refer to FAQ entitled *Calculation of Rent Reduction Amounts in Sub-Lease Scenarios*

amounts for April, May and June.⁷ In this situation, the monthly dollar amount of forgiveness granted to the Tenant shall not be recalculated for such extended period; rather, it shall be equal to the average monthly rent forgiveness granted during the period of April, May and June, 2020.⁸

5. The Tenant remains liable for and, subject to Section 6 of this Rent Reduction Agreement, shall pay all rent that has not been reduced and forgiven (the “**Tenant’s Reduced Rent**”), plus applicable sales taxes, in accordance with the requirements of the Lease.
6. If the Tenant has already paid rent in excess of the amount of the Tenant’s Reduced Rent for the Target Months, then the Landlord and Tenant agree as follows at the Tenant’s choice:
 - A. the Landlord will grant the Tenant a reimbursement, plus applicable sales taxes, of the excess amount from the proceeds of the CECRA Program forgivable loan;

OR

- B. the Landlord will grant the Tenant a credit of the excess amount (plus applicable sales taxes) to be applied against rent next coming due.
7. If the Tenant has not paid all or any part of the Tenant’s Reduced Rent for the Target Months accruing due prior to the Effective Date, the Tenant will pay such unpaid amount to the Landlord within thirty (30) days after the Effective Date or such later date as may be agreed by the Landlord and the Tenant.
8. If the Landlord and Tenant have entered into a prior binding agreement for the reduction of any amount of the gross rent for the Target Months, such prior agreement is hereby confirmed and restated, or amended, as applicable, so that the reduction contemplated therein is made upon and subject to the terms of this Rent Reduction Agreement, with any such reduction being included in the amount of the reduction and forgiveness provided for in Section 4 of this Rent Reduction Agreement. In the event of any conflict between the terms of any such prior agreement and this Rent Reduction Agreement, the latter shall prevail.
9. Subject only to Section 11, the Landlord acknowledges that the rent that is forgiven and reduced by this Rent Reduction Agreement will never be recoverable by the Landlord, and accordingly the Landlord shall not attempt to use any means or mechanisms whatsoever, direct or indirect, to recover such reduced and forgiven amounts.
10. During the period from the commencement of the Target Months until the date on which the Tenant is no longer receiving any rent reduction or forgiveness or rent credit under this Rent Reduction Agreement (the “**Suspension Period**”), the Landlord shall not serve the Tenant with any default notice or seek to effect or proceed with an eviction, where the basis for such default notice or eviction is a Lease default in which the Tenant has been prevented from performing the obligation(s) in default because of the COVID-19 emergency (other than a failure to pay the Tenant’s Reduced Rent). Any such proceeding initiated by the Landlord after the commencement of the Target Months and prior to the Effective Date is hereby suspended and stayed for the duration of the Suspension Period.
11. (a) The Tenant confirms that, to the best of its knowledge, all information and declarations provided in any Tenant’s Attestation required by the CECRA Program are true and correct and acknowledges that any false or misleading information in the Tenant’s Attestation (including the Integrity Declaration) may result in a determination by the CECRA Program administrator that the Tenant is not eligible to receive financial or other benefits through the CECRA Program. If this occurs, then, notwithstanding anything to the contrary contained in this Rent Reduction Agreement, the full gross rent for the Target Months less any amounts already paid by the Tenant, shall be due and owing to the Landlord no later than thirty (30) days from the date of notice by the Landlord of the Tenant’s ineligibility. Non-payment of such amounts shall constitute arrears of rent under the Lease.

(b) Where the Tenant has granted a sub-lease to an Impacted Tenant, then this Section 11(b) shall apply. If the Landlord notifies the Tenant that any information or declarations provided in a sub-tenant’s Attestation

⁷ Or as otherwise determined by CMHC and communicated through the CECRA Program documents and portal.

⁸ Or as otherwise determined by CMHC and communicated through the CECRA Program documents and portal.

required by the CECRA Program are false or misleading, then the Tenant will make commercially reasonable efforts to recover rent amounts previously forgiven under the applicable sub-tenant's rent reduction agreement and remit the same to the Landlord.

12. This Rent Reduction Agreement shall be governed by the laws of the province or territory in which the Lease premises are located and the laws of Canada applicable therein. In the event of a dispute, the parties agree that the courts of such province or territory shall exclusively hear any dispute related to the validity, interpretation or performance of this Rent Reduction Agreement and agree to be bound by a judgment of that court.
13. This Rent Reduction Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, but all such respective counterparts shall together constitute one and the same instrument. Delivery of an executed counterpart of this Rent Reduction Agreement by facsimile or by an electronic mail or portal (including any electronic signature covered by applicable provincial or territorial law, e.g., www.docusign.com) or other electronic transmission method shall be equally as effective as delivery of an original executed counterpart of this Rent Reduction Agreement.
14. It is the express wish of the parties hereto that this Rent Reduction Agreement shall be drafted in English.
Les parties ont exigé que la présente entente de réduction de loyer soit rédigée en langue anglaise.

[The remainder of this page has been intentionally left blank. Signature page follows.]

IN WITNESS WHEREOF the undersigned have executed this Rent Reduction Agreement.

Dated the ____ day of _____, 2020.

| | |
|--|---|
| Use this signature block if Landlord is an individual. | [LANDLORD NAME] By: _____ |
| Use this signature block if Landlord is an entity other than an individual. | [LANDLORD NAME] By: _____ |
| | Title: Authorized Signatory Name: _____ By: _____ Title: Authorized Signatory Name: _____ <i>/I/We have the authority to bind the Landlord</i> |
| The signature of a witness is required if the Landlord is an individual. Optional otherwise. | WITNESS: By: _____ Name: _____ |

Dated the ____ day of _____, 2020.

| | |
|--|--|
| Use this signature block if Tenant is an individual. | [TENANT NAME] By: _____ |
| Use this signature block if Tenant is an entity other than an individual. | [TENANT NAME] By: _____ |
| | Title: Authorized Signatory Name: _____ By: _____ Title: Authorized Signatory Name: _____ <i>/I/We have the authority to bind the Tenant.</i> |
| The signature of a witness is required if the Tenant is an individual. Optional otherwise. | WITNESS: By: _____ Name: _____ |