

Sample Commercial Lease Agreement

A pedagogical sample for use with the exercises in “Legal Education @ Model Velocity.” This is not a real lease. Do not use it as a template for actual commercial transactions. It is deliberately drafted with several landlord-favorable provisions that do not reflect balanced market practice — the imbalance is pedagogical. Names, addresses, and terms are fictitious.

RETAIL COMMERCIAL LEASE

This **Retail Commercial Lease Agreement** (this “Lease”) is entered into as of April 15, 2026 (the “Effective Date”), by and between:

LANDLORD: ACME Properties, LLC, a Delaware limited liability company, with its principal office at 1020 Market Street, Suite 1800, Philadelphia, PA 19107 (“Landlord”); and

TENANT: Blue Heron Coffee Roasters, Inc., a Pennsylvania corporation, with its principal office at 400 Chestnut Street, Philadelphia, PA 19106 (“Tenant”).

Landlord and Tenant are each referred to individually as a “Party” and collectively as the “Parties.”

1. PREMISES

Landlord hereby leases to Tenant, and Tenant hereby leases from Landlord, approximately **1,850 rentable square feet** of ground-floor retail space (the “Premises”) located at 215 South 22nd Street, Philadelphia, PA 19103 (the “Building”), as more particularly shown on **Exhibit A** attached hereto.

The Premises is leased in its “AS-IS, WHERE-IS” condition, with all faults. Tenant has inspected the Premises and accepts it in its present condition. Landlord makes no representations or warranties, express or implied, regarding the condition, suitability, or fitness of the Premises for any particular purpose.

2. TERM

The initial term of this Lease (the “Initial Term”) shall commence on June 1, 2026 (the “Commencement Date”) and shall expire at 11:59 p.m. on May 31, 2031 (the “Expiration Date”), unless sooner terminated as provided herein. The Initial Term together with any exercised Renewal Term is collectively the “Term.”

2.1 Renewal Option. Provided Tenant is not then in default (nor has ever been in material default during the Initial Term), Tenant shall have one option to renew the Term for a period of five (5) years (the “Renewal Term”) upon written notice delivered to Landlord not less than twelve (12) months and not more than fifteen (15) months prior to the Expiration Date. Rent for the Renewal Term shall be the greater of (a) 115% of the Base Rent in effect during the final year of the Initial Term or (b) the then-prevailing fair market rent for comparable retail space, as determined by Landlord in its sole and absolute discretion.

3. RENT

3.1 Base Rent. Tenant shall pay to Landlord annual base rent (the “Base Rent”) in advance, in equal monthly installments due on the first (1st) day of each calendar month, without demand, deduction, setoff, or counterclaim, as follows:

Lease Year	Annual Base Rent	Monthly Installment
Year 1	\$92,500	\$7,708.33
Year 2	\$95,275	\$7,939.58
Year 3	\$98,133	\$8,177.75
Year 4	\$101,077	\$8,423.08
Year 5	\$104,110	\$8,675.83

3.2 Percentage Rent. In addition to Base Rent, Tenant shall pay Landlord, as additional rent, an amount equal to six percent (6%) of Gross Sales (as defined below) in excess of \$1,250,000 in any lease year (the “Breakpoint”). “Gross Sales” means the total revenue received by Tenant from the sale of goods and services at, from, or relating to the Premises, without deduction of any kind, including internet, catering, and wholesale orders originating from the Premises. Percentage Rent shall be paid quarterly, in arrears, within fifteen (15) days of the close of each calendar quarter, accompanied by a certified statement of Gross Sales.

3.3 Additional Rent. Tenant shall pay all real estate taxes, assessments, insurance premiums, common area maintenance charges, operating expenses, utilities, and any other amounts payable by Tenant under this Lease (“Additional Rent”). Landlord estimates Additional Rent for Year 1 at approximately \$28,000, but such estimate is non-binding and subject to actual expenses.

3.4 Late Charges and Interest. Any Rent not received within five (5) days of its due date shall incur a late charge equal to the greater of \$250 or 5% of the delinquent amount, plus interest at 15% per annum (or the maximum lawful rate, if less) from the date due until paid.

4. USE AND OPERATING COVENANT

4.1 Permitted Use. The Premises shall be used solely for the operation of a specialty coffee roastery and café, and for no other purpose whatsoever without Landlord’s prior written consent, which may be withheld in Landlord’s sole and absolute discretion.

4.2 Continuous Operation. Tenant covenants and agrees to continuously and uninterruptedly operate the Premises for the Permitted Use during all Required Operating Hours throughout the entire Term. “Required Operating Hours” means a minimum of twelve (12) hours per day, seven (7) days per week, excluding only Thanksgiving Day, Christmas Day, and New Year’s Day. Any failure to operate during Required Operating Hours for more than three (3) consecutive days, or more than ten (10) days in any twelve-month period, shall constitute a material default under this Lease and entitle Landlord to all remedies available hereunder, including termination, in addition to liquidated damages of \$2,500 per day of non-operation (which the Parties agree represents a reasonable estimate of Landlord’s damages and is not a penalty).

4.3 Exclusive Use. Tenant acknowledges that Landlord has granted no exclusive use rights to Tenant. Landlord reserves the right, in its sole discretion, to lease other portions of the Building or any adjacent property owned by Landlord to any other tenant for any purpose, including directly competitive uses.

5. ASSIGNMENT AND SUBLETTING

5.1 Landlord's Consent Required. Tenant shall not, without the prior written consent of Landlord, which consent may be withheld, delayed, or conditioned in Landlord's sole and absolute discretion, assign this Lease or sublet all or any portion of the Premises. Any purported assignment or sublease without such consent shall be void and shall constitute a material default.

5.2 Profit Recapture. In the event Landlord consents to any assignment or subletting, fifty percent (50%) of any consideration received by Tenant in excess of the Rent and other amounts payable by Tenant under this Lease (including any so-called "key money," lease buyout payments, or premium on sublease rent) shall be paid to Landlord within ten (10) days of receipt, as Additional Rent. Tenant shall bear all legal fees and costs incurred by Landlord in reviewing any assignment or sublease request, up to a minimum of \$5,000 per request, whether or not consent is granted.

5.3 Change of Control. Any transfer, directly or indirectly, of more than twenty-five percent (25%) of the voting equity of Tenant, whether by merger, stock sale, or otherwise, shall be deemed an assignment requiring Landlord's consent under Section 5.1.

6. PERSONAL GUARANTEE

As a material inducement for Landlord to enter into this Lease, the individual principals of Tenant, **Maria Santos** and **James Cho** (collectively, the "Guarantors"), shall execute and deliver the Personal Guaranty attached hereto as **Exhibit B**, guaranteeing the full and timely performance of all Tenant's obligations under this Lease. **The Personal Guaranty shall be unlimited in amount and shall continue in full force throughout the Term and any Renewal Term, and shall survive any assignment of the Lease, any discharge of Tenant in bankruptcy, and any amendment or modification of this Lease (whether or not consented to by the Guarantors).** The Guarantors expressly waive all suretyship defenses.

7. REPAIRS, MAINTENANCE, AND ALTERATIONS

7.1 Tenant's Obligations. Tenant shall, at its sole cost and expense, maintain the Premises in first-class condition and repair, including all interior walls, floors, ceilings, plumbing, electrical, HVAC systems serving the Premises, plate glass, doors, hardware, fixtures, and all systems and equipment. Tenant shall be responsible for the cost of any capital improvements or replacements required for the continued operation of the Premises, including HVAC replacement, even if the useful life of such systems exceeds the remaining Term.

7.2 Alterations. Tenant shall not make any alterations, additions, or improvements to the Premises without Landlord's prior written consent, which may be withheld in Landlord's sole discretion. Any permitted alterations shall become the property of Landlord upon installation and shall remain upon surrender of the Premises, unless Landlord elects to require removal, in which case Tenant shall bear the cost of removal and restoration.

8. INSURANCE AND INDEMNIFICATION

8.1 Tenant's Insurance. Tenant shall maintain, at its sole cost, commercial general liability insurance of not less than \$2,000,000 per occurrence and \$5,000,000 aggregate, naming Landlord as additional insured; property insurance for full replacement value of Tenant's personal property and improvements; and workers' compensation insurance as required by law.

8.2 Indemnification. Tenant shall indemnify, defend, and hold harmless Landlord, its members, managers, agents, and employees from and against any and all claims, damages, losses, liabilities, costs, and expenses (including reasonable attorneys' fees) arising out of or in any way connected with Tenant's use or occupancy of the Premises, regardless of the cause, including claims arising from the negligence or gross negligence of Landlord, its agents, or employees, except only for claims arising solely from the intentional willful misconduct of Landlord.

9. DEFAULT AND REMEDIES

9.1 Events of Default. The occurrence of any of the following shall constitute a material default under this Lease: (a) failure to pay any Rent when due, not cured within three (3) days after written notice; (b) failure to perform any other obligation under this Lease, not cured within ten (10) days after written notice (provided that no notice shall be required for repeated defaults of the same type); (c) abandonment of the Premises or any breach of the Continuous Operation covenant; (d) insolvency, bankruptcy filing, or assignment for the benefit of creditors; or (e) any default by Tenant under any other agreement between Tenant and Landlord or any affiliate of Landlord (a "Cross-Default").

9.2 Landlord's Remedies. Upon any default, Landlord may, at its option and without further notice: (a) terminate this Lease and re-enter the Premises; (b) accelerate all remaining Rent for the balance of the Term, which shall become immediately due and payable; (c) re-let the Premises for Tenant's account, with Tenant remaining liable for any deficiency; (d) exercise all rights and remedies at law or in equity. Landlord's remedies shall be cumulative and not exclusive.

10. HOLDOVER

If Tenant remains in possession of the Premises after the expiration or earlier termination of this Lease without Landlord's express written consent, **Tenant shall be deemed a tenant at sufferance and shall pay Rent at a rate equal to two hundred percent (200%) of the Base Rent in effect at the end of the Term, plus all Additional Rent, for each month or portion thereof** of such holdover, in addition to any damages (including consequential and special damages) suffered by Landlord as a result of such holdover.

11. SURRENDER

Upon expiration or earlier termination, Tenant shall surrender the Premises in broom-clean condition, free of all trade fixtures, signage, and personal property, ordinary wear and tear excepted. Any property remaining after surrender shall be deemed abandoned and may be disposed of by Landlord at Tenant's expense.

12. RELOCATION

Landlord reserves the right, at any time during the Term and in its sole discretion, upon thirty (30) days' prior written notice to Tenant, to relocate Tenant to comparable space within the Building or any other property owned by Landlord within a five-mile radius. Landlord shall reimburse Tenant's reasonable and documented moving expenses, but not lost revenue, goodwill, or any other consequential damages.

13. WAIVERS

13.1 Waiver of Jury Trial. THE PARTIES HEREBY IRREVOCABLY WAIVE ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM ARISING OUT OF OR RELATING TO THIS LEASE.

13.2 Class Action Waiver. Tenant agrees that any dispute arising under this Lease shall be brought only in its individual capacity and not as a plaintiff or class member in any purported class or representative proceeding.

14. MISCELLANEOUS

14.1 Governing Law. This Lease shall be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania, without regard to conflict-of-laws principles. Exclusive jurisdiction and venue shall lie in the Court of Common Pleas of Philadelphia County.

14.2 Notices. All notices shall be in writing and delivered by certified mail, return receipt requested, or by reputable overnight courier, to the addresses set forth above (or such other addresses as the Parties may designate by written notice).

14.3 Entire Agreement; Amendment. This Lease, together with all Exhibits, constitutes the entire agreement between the Parties and supersedes all prior negotiations, understandings, and agreements. No amendment shall be effective unless in writing and signed by both Parties.

14.4 Severability. If any provision of this Lease is held invalid or unenforceable, the remainder shall continue in full force and effect.

14.5 Counterparts. This Lease may be executed in counterparts, each of which shall be deemed an original and all of which together shall constitute one instrument.

IN WITNESS WHEREOF, the Parties have executed this Lease as of the Effective Date.

LANDLORD: ACME Properties, LLC By: _____ Name: [Landlord Representative]
Title: Managing Member

TENANT: Blue Heron Coffee Roasters, Inc. By: _____ Name: Maria Santos Title:
President

End of Sample Commercial Lease. This document is a pedagogical artifact and should not be used as a template for any actual commercial transaction. It contains provisions that deviate from balanced market practice in ways designed to support classroom discussion and AI-evaluation exercises.