

Question 4

Lori owns a small shopping center. In April 1999, Lori leased a store to Tony. Under the lease Tony agreed to pay Lori a monthly fixed rent of \$500, plus a percentage of the gross revenue from the store. The lease term was five years. In part the lease provides:

Landlord and Tenant agree for themselves and their successors and assigns:

* * *

4. Tenant has the right to renew this lease for an additional term of five years, on the same terms, by giving Landlord written notice during the last year of the lease.
5. Tenant will operate a gift and greeting-card store only. Landlord will not allow any other gift or greeting-card store in the center.

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In July 2000, Tony transferred his interest in the lease in writing to Ann. Ann continued to operate the store and pay rent.

In February 2003, a drugstore in the shopping center put in a small rack of greeting cards. Ann promptly complained, but Lori did nothing.

Beginning in March 2003, Ann stopped paying the percentage rent, but continued to pay the fixed rent alone. Lori took no action except to send a letter in April 2003 requesting payment of the percentage rent that was due.

In January 2004, Ann sent a letter to Lori requesting that Lori renew the lease according to its terms. Lori denied that she had any obligation to renew.

1. Is Ann entitled to a renewal of the lease? Discuss.
2. Is Lori entitled to the past-due percentage rent from:

- a. Ann? Discuss.
- b. Tony? Discuss.