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LETTERS TO THE EDITOR

'Good-guy' clauses avoid 'shell' game

An otherwise excellent Take-Out article on commercial lease negotiations and pitfalls ("Incisive look at provisions can take bite out of leases", Oct. 16) incorrectly described the "good-guy" guaranties that landlords demand from small

or start-up tenants in today's market.

These guaranties arose when landlords learned the risks of leasing space to a "shell corporation," a company with no significant assets. If a tenant of this type stops paying rent, eviction may take months or even years. For this period, however, the landlord probably cannot recover any rent, because the tenant has no assets. Therefore, the tenant occupies the space rent-free during the entire eviction ordeal.

A "good guy" guaranty simply tries to correct this situation. It does not make the owner of the company personally responsible for all rent, as the article incorrectly
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suggests. A "good guy" guarantor can terminate liability at any time by bringing current only the accrued rent, paying the landlord's attorneys' fees and moving their company out.

Your article advises the owner of a small company not to sign "good-guy guaranties." That is certainly good advice, if the owner can get away with it. But in the current market, these guaranties are often part of the territory, based on landlords' sad experiences.

JOSHUA STEIN
*Real Estate
Practice Group
Latham & Watkins
Manhattan*