Understanding Good Guy Guarantees vs. Unlimited Guarantees in Lease Agreements

Navigating commercial leases can be complex, especially when it comes to personal guarantees. Two common types of guarantees that tenants and landlords encounter are the Good Guy Guarantee and the Unlimited Guarantee. Understanding the distinctions between them can help you make informed decisions when negotiating lease agreements.

What is a Good Guy Guarantee?

A Good Guy Guarantee is a limited form of personal guarantee, often used in commercial leases to provide landlords with security that rent will be paid until the tenant vacates the premises. The primary function of this guarantee is to cover obligations until a tenant leaves in "good standing." To be released from liability, tenants usually need to:

1. Provide written notice within the lease's specified timeframe, often between 3-6 months.
2. Ensure the rent is fully paid up to the vacancy date.
3. Vacate the premises in good condition, complying with lease conditions for turnover.

Once these conditions are met, the Good Guy Guarantee releases the guarantor (often a business owner or principal) from further personal liability. This limited guarantee is favored by many small business owners as it can provide an exit strategy in case the business can no longer operate profitably.

What is an Unlimited Guarantee?

In contrast, an Unlimited Guarantee requires the guarantor to cover all financial obligations under the lease for the entire lease term, regardless of whether the tenant vacates early. This means that if a business closes but the lease term still has remaining months or years, the guarantor remains personally liable for rent and other obligations for the lease's full term.
With an Unlimited Guarantee, the guarantor's personal assets could be at risk if the tenant defaults. Unlike the Good Guy Guarantee, there is no mechanism for early release from liability based on notice and good conduct. This form of guarantee is common in leases where landlords seek greater assurance of full payment over the lease term, which might be found in leases for larger commercial spaces or with new businesses without an established track record.

Key Differences at a Glance:

The Good Guy Guarantee generally poses a lower risk for the guarantor, with liability limited to the period before the tenant vacates. In contrast, the Unlimited Guarantee imposes a higher risk as the guarantor remains responsible for the lease's entire term. The Good Guy Guarantee may be better suited for small or new businesses seeking flexibility, while the Unlimited

Guarantee might appeal to landlords leasing high-value spaces who seek complete assurance of payment over the lease term.

Choosing the Right Guarantee

Selecting between a Good Guy Guarantee and an Unlimited Guarantee depends on your specific situation, risk tolerance, and negotiation leverage. For landlords, the choice can depend on the tenant's business stability and the length of the lease. For tenants, understanding the liability associated with an Unlimited Guarantee is crucial before signing, especially for long-term leases. If you're facing a lease negotiation and unsure which guarantee is best suited for your situation, our team can provide guidance tailored to your business needs and financial goals.

If you have any questions or need assistance, please don't hesitate to contact us at (914) 240-8270 or jdibbini@dibbinilaw.com. We look forward to working with you to ensure the success of your investment property.

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