



Five Practical Tips for Navigating the COVID-19 CRISIS

And Your
Commerical Real
Estate Lease and
Loan Obligations

If you lease property or have a real estate or business loan, the Covid-19 pandemic has undoubtedly hit your business and has affected you or your company's ability to make payments. While there are plenty of detailed articles circulating that provide some specifics on how to handle the present challenges of your lease or loan obligations, there are some basic steps that businesses can and should take to improve their success in working out a productive contract modification. Whether you've already started the process or see the need on the horizon, here are five practical tips to consider immediately and in the near term.

1

Keep the Communication Open.

Keep the connection open with your lender or landlord representative. The current situation is different from the 2009 downturn and many hold the view that no one is at fault for this economic crisis. Some banks and landlords have begun to reach out to their customers and tenants and may even have offered some short-term relief. At every level there is the need to get back to business when this crisis passes and productive communication today will be essential to that goal tomorrow.

2

Get Your Arms Around Your Economic Situation.

Understand thoroughly how the current economic crisis is affecting your business, with real numbers. Not only will you need an immediate plan for survival and enduring success, but many landlords and lenders are requiring detailed information before discussing any modifications. Talk with your management, CPA, customers and suppliers to get a 360 degree view of your situation. Find out what government help is available including the CARES Act and any state or local programs. Having this information will be vital to accessing the broadest number of possible solutions with your landlord or lender.

3

Know the Legalese.

Yes the lease or note says to make your payments on time. But have you considered how force majeure, business interruption insurance, continuous operation covenants or your security deposit or guaranty might come into play? Could a loan or rent default cause you to be in default of any third party agreements such as a franchise agreement or a line of credit? Review and brush up on what your contracts and agreements say. There's a reason why contracts are filled with "legalese" and its essential that you have - as early as possible - a complete understanding of the legal options and consequences facing you and your business.

4

Formulate a Plan and a Proposal.

Your lender or landlord may have already offered some relief, such as a temporary payment reduction or deferment and/or a waiver of late fees or interest. But what happens after this temporary relief expires? Or what if your bank or landlord has not yet offered any assistance? You need a plan - a strategy based on your specific economics and legal ramifications - for approaching your lender or landlord. As a key part of your plan, you want to have multiple realistic modification proposals ready to offer. You can't rely only on short-term, one-size fits all relief. This means you may need them to look outside the box. To accomplish that, you'll need the details of your economic situation and a thorough understanding of the legalese to back it up.

5

Put It All Together with Experienced Help.

Don't go at it alone. You need conversant, sensible and experienced consultants who understand the market and the range of options being offered and know how to formulate and expedite a tailored proposal and solution. Enlist a seasoned real estate broker that can provide market-driven advice and guidance in dealing with lease and loan restructurings. And secure the help of a real estate lawyer who has successfully steered clients through not only the ups but also the downs of the commercial real estate market, has an intimate legal understanding of the contracts and agreements used in today's deals and has the acumen to quickly and efficiently work with you and your team to get you over the finish line.

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