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Chapter 10

We're going to be talking about this building lease, equipment lease, sign lease, but the most important thing you're going to running into is the building lease. Years ago when we first started putting on programs, the thing we basically stayed away from was a building lease because we assumed people going through our different programs in business had gone out and signed leases. They rented buildings, homes, things like that, apartments so they were familiar with leasing.

Lo and behold about two years after we got involved in the program, we started to find that a lot of the people that were going through our program were having trouble with the lease part of it, and that was a number of years ago. In the last couple of years, this has become even more of a problem. As we go through this I hope to relate to you the different problems.

Now, as you go through this, you're going to find there's a lot of standard what we call boilerplate or standard paragraphs in different leases. As you start to go out to work on leases, I want you to keep in mind that there is a lot of standardization out there which you'll become familiar with.

The thing you have to remember as you start to get involved in lease, remember, when you're going out to buy an existing business and there already is a lease in place, you can renegotiate different parts of it and get the owner of the real estate to change that lease. The only thing you have to keep in mind when you're working on a lease is you have a basic problem, and what is the basic problem? You have to do it before you lose because if you want to be in the driver seat or at least be on the same level as the owner

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of the real estate, you have to negotiate these different changes before you take over the business.

You're going to find that if you do it after you take over you've closed and you're already the new owner, you're going to find that you're really not going to have a lot of leverage in working with the owner of the real estate, and you're going to find it's not going to work too well. So, try it that way.

One of the first things I'd like to mention before we even get involved in this would be a thing called triple net, and what we have is different categories of leases if you'd look at the first page called percentage leases. Before we even get into the percentage lease, I'd like to talk to you about triple net because people are going to mention a thing called triple net. What is triple net? Triple net basically means that the person that owns the business or the person called a leasee, because in a lease you have two different parties you have the leasor, which is the owner of the real estate – that's the person leasing you the premises, and the leasee is the owner of the business, and that is the person that is leasing the premises. In other words, you're the person renting or leasing out that space.

The first thing you're going to run into is triple net, and triple net means that you the leasee or the owner of the business, either or, what you're going to find is the person that is paying the taxes, paying for the maintenance and paying for the insurance, and each one of the things are a net. If you're only paying two of these three it would be a double net, but in most of the areas it's a triple net. This allows the owner of the real estate, whatever it happens to be to lease this back to you or rent to this for a basic rent

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and then have you pay the other areas, maintenance, pay for the insurance, pay for the taxes.

Sometimes the triple net has to do with paying the taxes above what they're paying today. Sometimes it includes all the taxes. When you get into the area of maintenance, you may find in certain cases you're paying for the maintenance on all the building and in other areas, you may find the leasee is paying for the maintenance on the inside of the building and the owner of the real estate pays for the maintenance on the outside.

Insurance also could be the same. You could be paying for all the insurance required or you might even be paying for the increase in the insurance. Again, all these things are negotiable. Even though many times the owner of the real estate is going to hand you a contract, a standard form, there's very few blanks – do not let the intimidate you, and what I'd like you to do is go through it and if you want to change things, change things. We're going to go through a number of these areas right now.

The other thing I suggest you do is when you get down to the final point, when you're going to buy that business, I suggest you then at that time bring in an attorney to have him check that final lease.

You're also going to find for those of you starting a business, and I suggest when you do get the lease back from the seller or the owner of the real estate, I suggest what you do is go to an attorney and have him review it. Most leases that are signed between owners of real estate and beginning business owners are 1001 percent in favor of the owner of the real estate, and the reason for that is the average person starting a business in this country does not know what they're doing. Number two, they don't get an

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attorney, they use the attorney of the seller, and they also have read this crazy book on how to do it, on how to start your own business for under so many dollars, and what happens is it misleads. It gives him a lot of bad information.

So, what I'd like you to do is go out and bring in the professionals also. Again, you're going to say, "Gosh this is expensive." Well, you're going to have to do it because if you don't spend the money in these areas, what you're going to find is you're not saving at all, and you're going to eventually end up failing.

Let's start going into the different categories of lease from the first page, and you'll find that the first thing that we have is a thing called a percentage lease, and what we have first of all is a percentage against the minimum. A percentage against a minimum that the amount of lease payment is $1,000 a month or five percent of sales whichever is greater, not less, naturally, whichever is greater. So, it's a percentage against the minimum. It's either one or the other whichever is greater.

Now, years ago, we used to have a lot of leases like this percentage against the minimum, and as you go around you'll find some of the older leases are still a percentage against the minimum.

The category that you're going to learn the most often is number two here which is a minimum plus a percentage, and the owner of the business or the real estate is going to want $1,000 a month plus a percentage of your sales every year or every month, whatever it happens to be. A minimum plus a percentage – why do they want this? Because real estate prices have gone up and owners of real estate have found that they're not getting a return. What they try to do is come back with leases like this a minimum

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plus a percentage to increase their returns so they end up getting a legitimate return on the real estate that they have.

You on the other hand are going to find all this is going to cut into your profit and because of this, we end up with a battle continually between the leasor and the leasee, and by battle I'm talking about one trying to increase the rent or the lease payments because they're trying to get a normal return on their business or a good return. Where you on the other hand, owning a business are going to find that this ends up eating into your profit because in many cases, these increases in your lease payments are going up faster than you're going to find your profits going up. In fact, that's one of the biggest problems you have with a lease today around the country and that is our lease costs or cost of rent of the facility we're in is actually going up faster than we are raising our prices. They're going up faster than the inflation rate, and when you have that it eats into your profit. And, this is just one area.

As you're in business, you better keep in mind there's going to be a number of categories that keep increasing faster than what you're doing on increasing in profit and sales. As this happens, you're going to find there's only one place it can come from. It doesn't come from the government. It comes directly out of your profit and eventually this great business you've been running or this great business you own all of a sudden was making X number of thousands of dollars a year is now making a lot less and eventually you'll lose money and you go down the tubes.

The next category which is percentage no minimum – on a lease like this, and again, we see this quite often with a large supermarkets or drug stores that are basically the anchor tenants where you have 14 or 15 stores in order to get people like this into

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their stores, the people that originally lease these out, signed a lease that really isn't very good because it's a percentage no minimum. So, if that large supermarket does move out or that large drug chain does move out, what you're going to find is when you have a percentage no minimum, even though they just moved down the street to a larger store for themselves, they don't really have to worry about the lease because they only have very small cost out of pocket. Why? Because once they move out and there's no sales, how much money do you the owner of the real estate get? So, percentage no minimum is normally not a very good lease for the owner of the real estate. It's better for you the business owner. So, keep that in mind as I go through this and tell you the good news and bad news.

If you're on the real estate side, this one's not going to be too good. If you're a person on the other side which is the owner of the business, you've done very well. This lease is going to have more value.

The last area I'm going to talk about is a thing called a maximum rental, and we see this quite often with anchor tenants in the very large regional malls where they have been able to negotiate a rental or a lease payment where the owner of the real estate or the mall and that had been built in in very small print or in a last page of the contract a thing called a maximum rental which states that although they are starting off paying $100,000 a year for lease payments, this amount during the five, ten, 15 or 20 year lease will never go beyond a certain amount, and again, in the past most owners of the real estate did not get hurt by this because as long as the inflation was running say under five percent, it didn't hurt them.

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What we have found last years as we've had a few years where the inflation rate has been over five and up to ten percent, these people are now starting to find that they are having to add in these large anchor tenants are now going to be paying $200,000 a year in rent, and all the extra now is having to be picked up by the owner of the real estate. What does that do to real estate value? It knocks it down. Since we're now taking it not from the real estate side or from the side of view of the person owning that business. This also is a good clause built in your lease if you can get it in there.

The next category we're talking about here, we're talking about parties. We're talking about parties to the transaction, and the first thing you're going to run into is a security deposit. Now, when you're going through these tapes, I want you to realize we have people that are going through this that are buyers, we have brokers, we also have sellers. So, as I start to go through this area, I'm going to change hats from time to time.

In this area here, the first thing we're looking for is a security deposit. If you're coming in from the buyer's standpoint where you the agent representing the buyer, what you'd like to do if you have a large security deposit as a seller is do financing. Later on in this program, as you start to think about it and you wonder how do we find out about this, you're going to find out about going into the balance sheet as soon as possible you're going to find that you can find out what deposits the owner of the business has put out, and it could be a security deposit on lease which we're talking about here, but it also could be a security deposit on the utilities. This is especially true on newer businesses or businesses in trouble. As businesses do well, most of the security deposits are refunded. Those are utilities.

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In this area, we're talking about a lease and most often you're going to find the security deposits on leases are not refunded. It might be $5-$10-$15-$20,000 we're talking about. So, we try to get the owner to add to the financing over 10-15-20 year period.

If the owner balks at this, you'll then sidestep, ask the owner why, and he'll say, "Gosh, I don't want to finance that over that much time." We then will ask him for a side promissory note for maybe only five years to pay it over that period of time, and usually they say yes. You have to remember if you want to have the seller finance these deposits, you have to do it in the beginning. If you do it at the end, the owner will have spent this money in his or her own mind. In the beginning they forgot about the deposit, so it's easy to get them to negotiate this.

Now, for those of you representing the seller, or those of you who are going to be sellers of businesses, what do we want to do on our deposits? Naturally, we want all cash. What is the reality of it? We usually find that we end up somewhere between the two things we talked about – some financing, some cash.

The next thing you're going to run into you're going to need on a lease or the first and last two months rent in advanced, and again, this is about the maximum you run into. Sometimes I want four months rent, but it normally is three months rent.

If you're coming from the buyer's standpoint, you want to provide yourself with some financing. The thing you have to realize is it is possible through negotiation with the seller right in the beginning to get them to go along with the first month's rent and maybe one of the last two, which means they're financing one of them for you which is fine. Once I've gotten them to agree with that, what I'd like to get it down to is what? I'd

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like to get it down to the point where I'm just putting up the first month's rent which basically you're going to find able to do out of the cash flow of the business. So, that's pretty good.

Now, taking it from the other side again, I just want to mention if you happen to be the seller of the business naturally you want what? You want everything back. You want the first and last two months. It also gives you security especially if you're going to remain on the lease because as we get into this later, you're going to find that you are the leasee and in most cases you're going to end up as a leasee and the next person buying it from you is going to end up as a sublease.

One of the things we should start telling you about right now especially if you're selling a business, you're going to find in most cases in this country, you're not going to get off the lease. Why? Because the owner of the real estate would like to keep you on and then allow you to sublet to the next person. That way they have two people to go after if somebody doesn't make the payments. So, you better keep that in mind when you sell a business because you may get stuck.

What I normally do when I'm doing something like this, I will have the owner the subletee make the payments directly to me, and then I make the payments to the other person. Incidentally, this is basically a sandwich lease and I do this to cover my expense. I will usually charge the person under me more of a lease payment than actually I have to pay. Why do I do this? To cover my risks, and the other area is let's face it I'm in business to make a profit, and if I can make a profit on a lease also, I'll do that.

The next category terms – as you start to think about terms, again we're talking about the terms of the lease, and as you get involved there's two areas that you have to

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think about. Number one is the option to renew because when you go out in the next couple of weeks and talk to different business owners, they're going to say, "I have a five year old lease, and I have two five year options." Now, that's great. In certain businesses, you're going to want long options. You're going to want a long-term in that business, but again you may want some flexibility because if you're in it for 15 years with four 20 year options, what you're going to find is you're tied up for long periods of time, and you're going to find areas do change and although you're going to be very nervous about the lease being very short or the lease not being for a lifetime.

You have to realize the area that you're going to be in basically may fall apart. It will fall apart, and you're going to find that you may want to move down the street. You may want to move across town, and although most of you have this great fear about moving your business, in most businesses the movement doesn't hurt your business at all – in manufacturing, in distributorships, and service businesses. Now, in some retail business it might hurt you, but you're going to find you're not going to be moving that far and in most cases you may end up paying more rent as you negotiate a new lease. But, say you're moving from a downtown area in retail and you're moving into a regional mall. You're paying a little more, but you're going to find in paying more and moving your location, you're going to have a better location, more foot traffic, and you're going to find that although you're paying more your profits going to go up substantially which means the additional profit share is going to justify that move or that new location.

What you should do is not going to happen now. Also, if you're working as a buyer and you're in there negotiating with a seller to get a financing and you get hung up on the fact that the lease only has five years to go and you're trying to get 20 year

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financing, you're not going to get it because then you're going to make this seller worry about because you don't want to think terminally. Even if the lease only has so many years to go, you don't dive the business into the ground which is what a lot of small business owners do. You have to realize you have a five year lease, and you're going to renegotiate it and you're going to renew it, and you're going to move to other areas, and you're going to keep moving. It is not the end of the line when the lease runs out. In fact, of all the years I've been in this teaching for over 10 years now, we've only had it come back a couple of times where people had a psychological problem, and once you get over that it's not something you worry about. It's like worrying about a planet going out of orbit and crashing into the Earth. It's possible, but why do you worry about crazy things like that.

The next thing is an agreement to agree because on most options to renew – not most of them – we have found the last couple of years over 50 percent of them we have a problem. Why? Because the person starting the person wrote this crazy book on how to start a business and it said to get an option to renew. It doesn't tell them what the detail is. It doesn't tell him in the books that the option to renew has to spell out all the details of the new contract, and what happens is the owner of the real estate sits down with their attorney and says, "Look, why don't you give them a 47c." There's a 47c. It says, "The owner of the real estate and the owner of the business at the end of the five or ten year period will sit down and discuss a new contract or a new lease." That's not an agreement. We call that an agreement to agree, and what you're going to find is although you think or the seller of the business thinks that he or she has a legitimate option to renew, there is no option to renew. So, make sure you check those in detail and don't assume anything.

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The next category is percentage basis. I read many conflicting things on this, and again I just read an article recently and it had to do with leasing, and this person was saying what you should do is go after the lease that is based on the cost of living index. I don't know who wrote that article, but they obviously are the college professor type because that is not the reality of being out in the business world today because what you're going to find in the business world even though you're reading things to the contrary, I'd suggest after you read the book check with the average business owner and find out what the real way to go is because here's a problem.

First of all, let's talk about percentage leases and you're going to find that they're going to say the percentage that you're going to pay on a restaurant might be six, seven or either percent of sales. In a clothing store, it might be something different, and there are standards that are established. It's almost like price fixing. If you go to your library there are many books out there that have to do with leasing and in there they will spell out the different percentages that are standards in different areas of the United States, and you're going to find that you're going to be generally in that category. For those of you who are trying to find out what you can charge, that's another guide that you can use, and it will give you a fix on it.

Now, a percentage lease is not bad. I like percentage leases very well because I don't like the other that we're about to talk about. Why? Because on a percentage lease, say I was paying five percent – if I was paying five percent on that lease and we had an inflationary period, I would normally raise my prices a certain percentage, and what happens is my rent would go up, but that's fine. The owner of the real estate then is sharing based on the same thing, and if I am a good business person raising my rates and

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prices at a rate equal to or greater than the inflation rate, then the owner of the real estate is being reimbursed at the same level.

Now, the next category we're going to run into here is the cost of living adjustment which is another method they use for figuring out how they're going to raise your rent in the future or get more money out of you. And, one of the things is a thing called the lost cost of living adjustments, and price indexes, and what you're going to find is they base it on that or base it on a certain year 1967 or whatever, and what it will say is based on the standard you had on the year you went in as the cost of living index goes up each year or the price index whatever index you're using, you're going to find that they raise the rate that you have, the rent that you're paying, or the lease payments you're paying.

The only thing bad about that is the cost of living index has a lot of phony stuff in it. It was based on the increase in housing in the last few years, and what we have here is a problem and you're going to find that in this index although the inflation rate maybe five percent, you're going to find that this cost of living index goes up at a rate faster than that which means that you end up getting gouged on it because of the stupid cost of living index.

Now, the government has been in the process of changing this, and changing some of the information they base this on. Again, at the date of the recording of this tape, the government still hadn't released it, and the basic problem that we have is the new cost of living index is going to be a lot fairer, but the problem is there are a lot of government people or people on retirement that have their increases in the amount they received based on the cost of living index. And, over the last few years one of the things that they

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had gotten and I don't mean to be political here, they have gotten raises in their retirement and other things that are in excess of what they're supposed to be getting. As a taxpayer, I think you're going to understand why I get a little upset, but you're going to find that because of that also politically, they're having a hard time putting it in. So, keep checking to find out when they're going to put it in. In the mean time, what I suggest you do is go to a percentage lease.

Control of conduct – many business owners find that as they get involved in business, they find themselves in violation of the lease and what happens is you read the lease and you assume things. As you find things that are contrary to what the lease says like control of conduct, the use of the premises, the type of business you have, the kind of merchandise. Quite often when the lease was signed five or ten years ago, and the person that owns that business now has changed various things, has not gone back to change the lease, and the owner of the real estate normally doesn't say anything. They've gotten verbal approval. It's now ten years down the stream, a lot of things have changed, and you come in as a new owner.

Now, the thing you have to realize is I'm suggesting that you ought to do this. You should go in and have the lease adjusted or get a variance from the owner of the real estate, and if you're going to do this, do it before you take over the business. If you don't do this, you'll get a notice after you take over and it will say, "You're in violation of the lease. You have 30 days to leave." Whatever your state law states, and what you're going to find is they really don't want to kick you out. You've been paying your rent on time or the former owner has. What they'd like to do is take that rent you're paying or that lease payment of $1,000 a month, have you sign a new lease and have you pay $2,000 a month.

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So, when you do find these things, I suggest you go into the owner of the real estate and change and negotiate these things before you take over. If you don't, you're going to be sorry, and that is not based on reading a book. That's based on personal handled experience.

The next thing you have is damage or destruction. On total destruction may either party terminate? And, is there a partial termination or destruction clause? Well, the thing you have to realize is, the basic thing I want to say is if you're the person buying the business and you're the leasee, does that clause apply equally to you and to the owner of the real estate? Or do you find that they're able to terminate the lease if on little stick is missing, whereas you have to 110 percent destruction? Again, I'm exaggerating a little there, but when you start to read these leases, you will not believe what some of these have to say.

Number one, they were written by the owner of the real estate or their attorney, and you're also going to find the poor person going in to start that business didn't check them out, didn't know what they were doing, and they certainly weren't going to spend any money on an attorney because they would've wasted money there. And, it's foolish because for the amount they would've spent on an attorney, it's going to cost them 20 times as much every year of that lease which means you haven't saved a cent. What you've done is cost yourself money. How do I know about that? I used to go the wrong way many years ago, and after it cost me a lot of money, I decided to use the attorney. It's the best way to go.

The next thing is condemnation. Does the lease terminate if all or part of the parking area is taken? And, although many come to me and say, "Well, gosh, we don't

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really have parking. We have valet parking or we have special permits." The thing that's going to kill you in business especially where you have a retail type operation or other area where you have parking, if you have a temporary fix keeping in mind that our purpose business is you and your family or me and my family to stay in business ten, 15, 20, 30, 40 years. Eventually, I just want to tell you, everytime the parking problem is going to come in and kill you. You're going to find the parking problem is going to come in and eventually sink your business. So, you better make sure you have it solved.

The problem we're talking about here is condemnation, and suppose you have a business and you have 40 parking spaces, and supposedly because of the road widening or other types of condemnation, you lose have the parking spaces. It influences your business. You better realize, you better make sure that there's a termination clause in here because this is a bigger problem than we have found than the damage or destruction. Condemnation of this type – road widening, problems, change of zoning – have goofed up an awful lot of business owners more than the section on damage or destruction. So, please be careful.

The option to purchase – check to see if the option is still valid. Again, many of you read those books on how to start a business for under so many dollars, and the option to purchase is never spelled out in those little Mickey Mouse books, and so what I'm suggesting to you is on the option to purchase, is read it to see what it has to say, and you're going to find in most cases it said that at the end of the lease or sometime during the lease period, the owner of the real estate – the lessor – and the owner of the business – the leasee – will sit down and discuss and option.

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You have to have it spelled out in detail. How are you going to purchase it? Will I finance? And, you have to have it spelled out ahead of time. Now, if you're going in behind somebody else that owns the business, and the option to purchase is necessary, what I suggest you do is sit down with the owner of the real estate before you take over the business, and negotiate it. You're going to find owners of real estate are just as nice as you are. In fact, many of the owners of real estate also own businesses. So, go and talk to them, but do it before you take over or before your client takes over.

The leasee's fixtures right to removal – in this area, we have two different sides because if you'll check with the attorney especially on the east coast, we have probably more case law in the area of fixtures and leaseholder improvements than in any other area, and again what is the difference. Fixtures mostly in the east and the Midwest we find people calling them fixtures. On the west coast, Midwest and west, we're calling them leasehold improvements or calling them leasehold expenses. What's the difference? Not much. The basic thing we're talking about here is whether you're talking about fixtures or whatever, we're talking about those items that we as business owners attach to the wall. Either they're leaning against the wall. They're screwed to the wall. They're nailed to the wall. They're fastened to the floor.

Whatever it happens to be, and there are state laws that apply in this area, but the main thing is the lease will spell out what the owner of the real estate wants or what the leasee or the lessor have agreed to. And, what you're going to find is that it may say that you can't remove anything, and what you're going to find is your lease runs out in two months, you have $400,000 in fixture or leasehold improvements. You can't remove

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those and take those with you. You're going to find in most cases you have to leave those there.

So, number one when you're buying a business, you better make sure about that. I mean why do you want to buy them? Why don't you just rent those from the former owner for a couple of months until you move someplace else, because you're not going to have those. You're buying something that doesn't exist. It exists but you're not going to have it in a few months. That's something that stays with the owner of the real estate.

Now, the other thing is you better realize as you read the lease or your attorney reads the lease, there's another clause that you're going to run into occasionally, and what it's going to say is the good news is you take it with you. The bad news is you have to remove it and in some cases, you may be in a regional center where the person that started that business had to put in the concrete floor, the floor, all the walls, the heating, the air condition and the johns. And, although leasehold improvements or fixtures are worth $100,000 today, you say, "Boy, that's great. I can those with me." You're going to find it's going to cost you one million dollars to remove them. So, please, either you or your attorney would you read these, and make sure that you haven't misread this. Why? This could end up destroying you and your business. It's not something you read about in the little books.

Hours of business – another area that very few people think about, and the reason I'm so hung up on this is I've been involved in a lot of businesses over the years and a lot of my friends have, and a lot of the graduates of our programs where they've been hurt by hours of business because you're going to find if you don't have standard hours of business in your center, your strip center, your mall, and if the management isn't strong

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and doesn't enforce it, you're going to find that you're going to end up being boycotted by the customers and the reason for this is even though you open at nine o'clock every morning, and close at six o'clock every night and you're good about it. You do it seven days a week or six days a week or five. All the people around you are artsy craftsy type people, and you're going to find that they sort of open and close whenever they feel like it. As other people come to the center where you're located and find the other people are not consistent, they're going to end up not going to visit any business in the area including yours. Again, on this tape I am not going to recite these, but if you look in your area. Go around and visit a few centers and you'll find if you hit ten of them, there's probably going to be two or three of them that have the problem. Talk to the owners, and they're going to tell you the problems they have because of the business hours. What you want is a strong operation. You're going to want a management group within that center or within those buildings or in that area that enforces those rules, or maybe you're going to have to if you have a number of buildings, you're going to have to put together a merchant's association to try to force everybody through an association and talk to them about the benefits of all staying open the same number of hours and being consistent because consistency is the key in business today – consistency.

We start to talk about the next category here which is the right to sell the lease. The first thing we're asking is it valid without the leassor's written agreement? And, again usually will not release the leasee from liability. The first thing is it valid without the agreement of the person who owns the real estate. In other words, will they let you the owner of the business and the leasee off the lease. And, that's not going to happen very often. You're going to find real estate that people want to keep you on the lease

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because that gives them access to you as the leasee. The next party then coming on the lease, the person you sell the business to will be the subleasee.

Again, the thing we're saying is it valid without the leasor's written agreement. You're going to find write after this section, we've included a lot of information here that has to do with a recent court ruling because the recent court ruling if you'll just look at this section holds that a leasor can not unreasonably withhold his consent to the transfer of commercial lease by the leassee. Even though the lease states the leasor's consent is necessary for a transfer and does not provide that the leasor can not reasonably withhold such consent.

Where we are on this right now is we have the two parties, we had Cohen and Retton go to court a couple of years ago, and what happened is the person that owned the business had not done well during the transaction because the person that owned the real estate held back the approval. And, even though the person that owned the business did not win at the first level, when he went to the California Court of Appeals, the California Court of Appeals then decided in 1983 that you could not arbitrarily withhold approval.

Now, at the present time, there's a chance that this may also go to the California Supreme Court, and I've talked to my different attorneys on this in the last few months, and they've told me that they're feeling is that the courts will probably not change the ruling. So, this may stand.

Now, for those of you who are not from states like California, what we suggest you do is go to your attorney and have them refer to this ruling if the owner of the real estate does decide to arbitrarily withhold approval. And, again you can quote this. Why do we put all this information in here for you? Well, you can use this is you're able to

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read legaleeze. If you're not able to read legaleeze, what I suggest you do is make a copy of this and take it to your attorney and have your attorney do some research on it. Again, is it going to be important? Yes, because it has come up quite a bit.

The next thing we have now as we turn the page, is we're going to be talking about two other types of leases. We're going to talk about the sign lease, and we're going to talk about the equipment lease, and the thing that's really interesting is we talked about the fact that you're probably not going to get off of the building lease if you happen to be the owner of the business, but it changes a little when you get involved in sign lease and the equipment lease because you're going to find on the sign lease, you're going to find they will let you off. They will let somebody else assume the lease most of the time.

You're going to find that the maintenance, insurance, taxes are usually paid by the leassor, again the sign company. You're going to find there might be a right to purchase, and again, you're going to be making payments and you're going to find at the end of the period depending on the sign company and the state you happen to be in or the tax court area, they're going to have different rules as to how much of the money will apply to the purchase price and how much you have to then add at the end.

The other thing I want to warn you on, if you do end up converting a signed lease to a purchase, remember to have a maintenance contract in addition or you're going to find your costs on the side are going to go out of sight.

You'll get the feeling when you're leasing a sign that the sign doesn't really belong to you. It is a lease because the sign company ends up doing everything as if they owned it. Now, the reason that I mention this now as we go to the next thing we're covering right here the equipment lease, you're going to get a feeling when you compare

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the equipment lease to a sign lease. The equipment lease is going to be more of an ownership thing. Why? The maintenance, insurance, and utilities are usually paid by the leasee – you the business owner, and again, there could be a purchase clause built in which means that at the end of the period you can then apply a certain percent of your lease payment to the purchase price and add a few dollars or whatever it happens to be and end up owning the equipment and that is in most leases. If it isn't, ask them about it and they'll probably put it in for you.

The key thing to keep in mind though is that when you're looking at an equipment lease, you're going to get a feeling that you really owning it and it's another form of financing, and yes that's true. It's just another form of financing even though it's called a lease and it follows the terms as a sign lease, you're going to get the feeling it's a little different. Again, as I said before in the sign lease, you're going to find also on the equipment lease when somebody else comes along and wants to buy your business, you're going to find it's relatively easy to have this person assume or take over the lease and take your position.

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