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When a Personal Guarantee Outlives the Deal It Was Signed For

By Ari Tuchman | Tuchman Law, APC | Los Angeles, CA

A shareholder personally guaranteed his dealership's $1.5 million credit line. Years later, the dealership sold its business. He argued the guaranty went with it — he didn't understand the fine print, nobody re-notified him, the deal he'd guaranteed no longer existed. A Missouri appellate court upheld the guaranty anyway in 2024: he'd waived those exact protections in writing when he signed, and the sale of the business didn't touch his personal obligation at all.

That's the mechanic most guarantors miss. A personal guaranty is a separate contract between the guarantor and the lender or landlord — not a feature of the lease or loan it backs. Because it's its own agreement, it doesn't expire just because the underlying deal changes hands, gets refinanced, or the guarantor walks away from the company. It ends only when the guaranty is expressly released in writing, the debt is paid in full, or its own terms say otherwise. Selling your ownership stake or resigning doesn't do it.

Most commercial leases and credit agreements go further with “continuing guaranty” language, which explicitly extends the guarantor's liability to future amendments, renewals, and modifications of the underlying deal — sometimes changes the original guarantor never sees or separately signs off on. California treats these as an ordinary form of suretyship under Civil Code § 2787 and following, which folds guarantors and sureties into one unified set of rules rather than treating a personal guaranty as something lighter or more limited.

The part that catches business owners off guard is the difference between releasing the business and releasing the guarantor. When a landlord or lender consents to an assignment — a new tenant takes over the lease, a new entity assumes the loan — that consent releases the original business from going forward. It does not release the person who personally guaranteed it, unless the release document says so in explicit terms. The business can be gone. The guaranty can still be very much alive, attached to whatever the deal became.

Final Thoughts

If you've personally guaranteed a lease, loan, or credit line and the business tied to it is being sold, restructured, or refinanced, the guaranty doesn't get cleaned up automatically as a side effect of that transaction. It has to be terminated on its own, in writing, by the party you guaranteed to — and until that happens, you're still on the hook for a deal that may look nothing like the one you originally signed.

About the Author

Ari Tuchman is a Los Angeles transactional attorney and founder of Tuchman Law, APC. He focuses on real estate transactions, business acquisitions, and general counsel services for companies and investors throughout California.

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