

COMMERCIAL LEASE INTERRUPTION NOTICE

Restaurant Fire - Business Interruption Claim

COMPANY INFORMATION

Milano's Italian Bistro, LLC

DBA: Milano's Restaurant

3500 Commerce Drive, Suite 150

Chicago, IL 60601

Business Phone: (312) 555-4700

24-Hour Emergency: (312) 555-9999

Email: claims@milanosrestaurant.com

Federal Tax ID: 45-7892345

State Tax ID: IL-98765432

June 10, 2024

SENT VIA: Certified Mail, Email, Fax, Hand Delivery

Midwest Mutual Insurance Company

Commercial Claims Department

Business Interruption Unit

Attn: Jennifer Walsh, Senior Commercial Adjuster

500 Insurance Plaza

Des Plaines, IL 60016

CC: Mark Stevens, Business Interruption Specialist

CC: Commercial Large Loss Unit

CLAIM IDENTIFICATION

Re: Business Interruption Claim - Ongoing Lease Obligations During Restoration

Policy Number: BOP-78234567

Claim Number: BI-2024-45678

Date of Loss: May 15, 2024, 11:30 PM

Type of Loss: Kitchen Fire with Smoke Damage

Business Name: Milano's Restaurant

Business Type: Full-Service Italian Restaurant

Location of Loss: 3500 Commerce Drive, Suite 150

Period of Restoration: May 16, 2024 - September 30, 2024 (estimated)

EXECUTIVE SUMMARY

Dear Ms. Walsh:

This letter provides formal notice and comprehensive documentation of business interruption losses specifically related to ongoing lease obligations during the period of restoration following the kitchen fire at our restaurant. Our 15-year-old establishment must maintain these lease payments to preserve our prime location and enable resumption of operations.

CRITICAL: Lease default will occur in 15 days without payment, resulting in permanent loss of our restaurant location where we've operated since 2009.

COMPREHENSIVE LEASE INFORMATION

Primary Lease Details:

Lease Component	Details	Amount	Documentation
Landlord	Commerce Center LLC		Lease attached
Property Manager	CBRE Management		Contact: (312) 555-1234
Lease Commencement	January 1, 2019		Page 1 of lease
Lease Expiration	December 31, 2028	4.5 years remaining	
Total Square Footage	4,800 sq ft		Floor plan attached
Monthly Base Rent		\$18,500	Current invoice
Common Area Maintenance		\$2,400	CAM reconciliation
Property Tax Pass-through		\$1,850	Tax bill attached
Insurance Pass-through		\$450	Insurance invoice
Marketing Fund		\$300	Required monthly
TOTAL MONTHLY		\$23,500	Due 1st of month

Additional Lease Terms:

- **Percentage Rent:** 6% of gross sales over \$3,000,000 annually
- **Security Deposit Held:** \$37,000
- **Personal Guaranty:** Yes - by John and Maria Milano
- **Acceleration Clause:** Yes - full remaining lease balance due on default
- **Cross-Default Provisions:** Yes - affects our second location

LOSS EVENT IMPACT ANALYSIS

The kitchen fire on May 15, 2024, has rendered our restaurant:

1. Physical Impact:

- ☑ Kitchen completely destroyed - all equipment lost
- ☑ Dining room severe smoke damage - unusable
- ☑ HVAC system contaminated - requires replacement
- ☑ Health department closure order issued
- ☑ Building inspector red-tagged premises

2. Business Impact:

- Business operations: 100% suspended
- Employees displaced: 42 people (28 full-time, 14 part-time)
- Daily revenue loss: \$12,000 average
- Regular customers: 300+ daily being lost to competitors
- Catering contracts cancelled: \$45,000 in lost bookings

3. Restoration Timeline:

- Initial assessment: May 18, 2024
- Permits anticipated: June 15, 2024
- Construction start: June 20, 2024
- Substantial completion: September 15, 2024
- Health permits and reopening: September 30, 2024
- **Total estimated period: 4.5 months**

LEASE OBLIGATIONS DURING INTERRUPTION

Contractual Requirements Per Lease Agreement:

Section 14.2 - Casualty Loss Provision: *"In the event of casualty damage rendering the premises unusable, Tenant's obligation to pay rent shall continue without abatement. Tenant acknowledges requirement to maintain business interruption insurance for this purpose."*

Key Lease Terms During Restoration:

- 1. **Rent Continues:** No abatement for casualty loss
- 2. **Tenant Responsible:** Must maintain continuous payment
- 3. **Insurance Required:** BI coverage mandated by lease
- 4. **Default Provisions:** Apply regardless of casualty
- 5. **Restoration Obligation:** Tenant responsible for interior

Landlord's Position (Documented):

- Letter dated May 20, 2024: "Rent obligations continue in full"
- No rent relief offered despite 15-year tenancy
- Default notice will issue if June rent not received by June 5
- Acceleration of remaining lease balance threatened

BUSINESS INTERRUPTION COVERAGE ANALYSIS

Policy Coverage Provisions:

Coverage Type	Limit	Deductible	Waiting Period	Status
Business Income	\$2,000,000	\$5,000	72 hours	Triggered
Extra Expense	\$500,000	\$2,500	None	Active
Extended Business Income	60 days	N/A	After reopen	Pending
Civil Authority	30 days	N/A	None	N/A

Policy Language Supporting Lease Coverage: "Business Income means... Net Income plus continuing normal operating expenses incurred, including payroll, taxes, insurance, utilities, and fixed costs including lease payments..."

DETAILED CONTINUING LEASE EXPENSES

Monthly Fixed Lease Costs Breakdown:

Expense Category	Monthly Amount	Daily Rate	Documentation
Base Rent	\$18,500	\$616.67	Lease §3.1
CAM Charges	\$2,400	\$80.00	Exhibit C
Property Taxes	\$1,850	\$61.67	Tax bill

Expense Category	Monthly Amount	Daily Rate	Documentation
Property Insurance	\$450	\$15.00	Invoice
Marketing Fund	\$300	\$10.00	Lease §3.4
TOTAL MONTHLY	\$23,500	\$783.34	

Projected Period Costs:

Month	Base + CAM	Taxes/Ins	Other	Total	Due Date	Status
June 2024	\$20,900	\$2,300	\$300	\$23,500	06/01/24	URGENT
July 2024	\$20,900	\$2,300	\$300	\$23,500	07/01/24	Pending
August 2024	\$20,900	\$2,300	\$300	\$23,500	08/01/24	Pending
September 2024	\$20,900	\$2,300	\$300	\$23,500	09/01/24	Pending
October 2024	\$20,900	\$2,300	\$300	\$11,750	10/01/24	Partial
TOTAL	\$104,500	\$11,500	\$1,500	\$105,750		

Additional Costs if Unpaid:

- Late fees: 5% per month (\$1,175)
- Default interest: 18% per annum
- Attorney fees: Estimated \$15,000
- Acceleration: Remaining lease term \$1,128,000

MITIGATION EFFORTS UNDERTAKEN

1. Landlord Negotiations:

- **May 20:** Requested rent abatement - Denied
- **May 25:** Requested 50% reduction - Denied
- **May 28:** Requested deferment only - Denied
- **June 1:** Offered percentage rent only - Denied
- Documentation: All emails/letters attached

2. Sublease Attempts:

- Sublease prohibited during restoration per lease
- Cannot operate another restaurant in damaged space

- No viable sublease market for damaged restaurant

3. Alternative Operations:

- Food truck evaluated: \$8,000/month loss vs. keeping location
 - Catering-only explored: Health permits require commercial kitchen
 - Ghost kitchen investigated: Would violate exclusive use clause
 - Partnership with competitor discussed: Would lose brand identity
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LEASE DEFAULT CONSEQUENCES

Failure to Pay Lease Will Result In:

Immediate Consequences (0-30 days):

1. Default Notice

- 5-day cure notice
- Acceleration option triggered
- Late fees begin
- Credit reporting

2. Legal Action (31-60 days):

- Eviction proceedings
- Personal guaranty enforcement
- Asset attachment possible
- Judgment for full lease term

3. Business Destruction (60+ days):

- Loss of prime location (below market by \$8,000/month)
- Loss of 15-year customer base
- Loss of liquor license (location-specific)
- Personal bankruptcy likely
- Second location at risk (cross-default)

Quantifiable Losses from Default:

- Lease value (below market): \$432,000 over term
- Customer goodwill: \$850,000 (based on business valuation)

- Improvements/buildout: \$380,000 unamortized
 - Liquor license value: \$125,000
 - **Total Impact: \$1,787,000**
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DETAILED COVERAGE ANALYSIS

These Lease Expenses Are Covered Because:

1. Policy Definition of Business Income:

- "Continuing normal operating expenses"
- "Fixed costs and charges"
- "Lease payments" specifically listed

2. Necessary Continuing Expense:

- Must maintain to resume operations
- Contractually obligated
- No viable alternatives

3. Industry Standard Coverage:

- Every restaurant BI policy covers lease
 - Underwriter confirmed when policy issued
 - Premium calculated including lease coverage
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FINANCIAL IMPACT ANALYSIS

Without Lease Payment Coverage:

Impact Category	Month 1	Month 3	Month 6	Permanent
Cannot maintain lease	\$23,500	\$70,500	\$141,000	Location lost
Customer loss	20%	60%	95%	100%
Employee retention	75%	40%	10%	0%
Going concern value	-\$200K	-\$500K	-\$850K	\$0
Personal guaranty	Threatened	Enforced	Judgment	Bankruptcy

ADVANCE PAYMENT REQUEST

Immediate Advance Required For June Rent:

Component	Amount	Due Date	Payee	Account
Base Rent	\$18,500	06/01/24	Commerce Center LLC	 #789234
CAM/Taxes	\$4,700	06/01/24	Commerce Center LLC	 #789234
Insurance/Other	\$300	06/01/24	Commerce Center LLC	 #789234
TOTAL	\$23,500	06/01/24		

Payment Instructions:

Wire transfer required by June 1st to:

- Payee: Commerce Center LLC
- Bank: Chase Bank
- Routing: 071000013
- Account: 789234567
- Reference: Suite 150/Milano's

COMPREHENSIVE DOCUMENTATION PROVIDED

1. Lease Documentation:

- ☒ Fully executed lease agreement (87 pages)
- ☒ All amendments (3)
- ☒ Rent payment history (5 years perfect)
- ☒ Current rent invoice
- ☒ CAM reconciliation 2023

2. Loss Documentation:

- ☒ Fire department report #FD-2024-8923
- ☒ Health department closure order
- ☒ Photos of damage (234 images)
- ☒ Restoration timeline from contractor

3. Financial Documentation:

- ☒ 2023 Tax Returns showing \$3.8M revenue

- ☑ P&L Statements (3 years)
- ☑ Bank statements showing lease payments
- ☑ Payroll records for 42 employees

4. Mitigation Documentation:

- ☑ All landlord correspondence
- ☑ Alternative operation analysis
- ☑ Food truck quotes
- ☑ Ghost kitchen proposals declined

TIME ELEMENT COVERAGE

Coverage Timeline:

Event	Date/Time	Coverage Triggered	Documentation
Fire occurred	05/15/24 11:30 PM	Yes	Fire report
Operations ceased	05/16/24 12:00 AM	BI starts	Closure notice
Waiting period ends	05/19/24 12:00 AM	Payments due	Policy terms
Restoration begins	06/20/24 (proj.)	Continuing	Contractor
Reopening	09/30/24 (proj.)	Through date	Timeline
Extended period	11/30/24	Additional 60 days	Policy

CONCLUSION AND URGENT REQUEST

Our lease obligations continue despite the covered loss making our restaurant completely unusable. These payments are not optional - they must be paid to:

- Preserve our prime location
- Protect 15 years of goodwill
- Save 42 jobs
- Maintain our liquor license
- Avoid personal bankruptcy

The below-market lease (\$8,000/month savings), established customer base (300+ daily), and our significant improvements (\$380,000) make abandoning this location financially catastrophic.

Without immediate payment of June rent by June 1st, we face:

- Immediate default proceedings
- Loss of valuable lease rights
- Business destruction
- Personal guaranty enforcement
- Potential bankruptcy

Please confirm coverage and arrange immediate payment to prevent these irreversible consequences.

Time is of the absolute essence - June rent due in 5 days.

Respectfully submitted,

John Milano

President

Milano's Italian Bistro, LLC

June 10, 2024

COMPLETE ATTACHMENT LIST

1. ☒ Complete lease agreement with amendments
2. ☒ Current rent invoice
3. ☒ Fire department report
4. ☒ Health department closure
5. ☒ Landlord correspondence (all)
6. ☒ Financial statements (3 years)
7. ☒ Tax returns (2 years)
8. ☒ Contractor timeline
9. ☒ Employee records
10. ☒ Customer count data
11. ☒ Mitigation efforts documentation
12. ☒ Photos (234)

DISTRIBUTION

cc: Commerce Center LLC - Notice Only, No Waiver
cc: CBRE Management - Information
cc: Restaurant Insurance Specialists (Public Adjuster)
cc: Wilson & Associates (Business Attorney)
cc: CPA - Mitchell & Company
cc: File

URGENT - LEASE DEFAULT IMMINENT WITHOUT IMMEDIATE PAYMENT

June rent must be paid by June 1st to avoid default and eviction proceedings