

Equipment Lease Agreement

This Equipment Lease ("Lease") is made effective as of _____ (Date), by and between _____ ("Lessor") and _____ ("Lessee"). The agreement of the parties is as follows:

- 1. Equipment subject to Lease.** Lessor shall lease the Equipment ("Equipment") listed in Exhibit 1.
- 2. Payment Terms.** The Lessee shall make ___ payments of \$_____, for a total amount of \$_____. Payments shall be due on the first day of each month, with the first payment due on _____. The lease payments shall be due without further notice to Lessee of any payment being due.
- 3. Late Charge.** A late charge of 5% of the payment shall be due if any Lease payment is not received within 10 days of the due date. In addition, interest will be charged at the rate of 1.5% per month, or 18% per year, on any unpaid balances.
- 4. Insufficient Check Charge.** Lessee shall be charged \$25 for each check that is returned to the Lessor for lack of sufficient or collectable funds or any other reason whatsoever.
- 5. Security Deposit.** Lessee shall pay a security deposit of two payments or \$ _____, at the time this Lease is signed. This deposit will be returned to the Lessee at the termination of this Lease, subject to the option of the Lessor applying it against Lease charges and damages. Any amounts refundable to the Lessee shall be paid at the time this Lease is terminated. The security deposit shall bear interest at an annual rate of 6% from the date paid to the Lessor until the date refunded, based on the total amount of the security deposit.
- 6. Lease Term.** This Lease shall begin on the above effective date and shall terminate on _____ (Date) unless otherwise terminated in a manner consistent with the terms of this Lease.
- 7. Location or locations of the Equipment.** The equipment shall be located at _____ during the lease term, and shall not be removed from that location without the Lessor's prior written consent.
- 8. Operation and Care of Equipment.** The equipment must be used and operated carefully and appropriately. Its use must comply with all laws, ordinances, and regulations relating to the possession, use, or maintenance of the equipment, including registration and/or licensing requirements if any.
- 9. Maintenance and Repair.** Lessee shall maintain at the Lessee's cost, the equipment in good repair and operating condition, allowing for reasonable wear and tear. Such costs shall include labour, material, parts, and any similar items.
- 10. Alternations.** Lessee shall make no alterations to the equipment without the prior

written consent of Lessor. All alterations shall be the property of Lessor and subject to the terms of this Lease.

- 11. Right of Inspection.** Lessor shall have the absolute right to inspect the Equipment during Lessee's normal business hours.
- 12. Equipment Return at the end of the Lease.** At the end of the lease term, the Lessee shall be obligated to return the equipment to the Lessor at the Lessee's expense.
- 13. Renewal Option of the Lessee.** If Lessee is not in default upon the expiration of this Lease, the Lessee shall have the option to renew this Lease for a similar term on such terms as the parties may mutually agree upon at the time of such renewal, the end of the Lease period covered in this Agreement.
- 14. Purchase Option.** If Lessee is not in default under this Lease, the Lessee shall have the option to purchase items of equipment at the end of the lease term for the price specified for such items of equipment in the attached Exhibit 1. Lessee shall exercise this option by providing written notice to the Lessor of such intent at least 30 days prior to the end of the lease term.
- 15. Equipment Acceptance by Lessee.** Lessee shall inspect each item of equipment delivered pursuant to this Lease. The Lessee shall immediately notify the Lessor of any discrepancies between such item of equipment and the description of the equipment in the Equipment Schedule. If the Lessee fails to provide such notice before accepting delivery of the equipment, the Lessee will be conclusively presumed to have accepted the equipment as specified in Exhibit 1.
- 16. Ownership and Legal Status of Equipment.** Equipment will be deemed to be personal property, regardless of the manner in which it may be attached to any other property. Lessor shall be deemed to have retained title to the equipment at all times unless the Lessor transfers the title by sale. The Lessee shall immediately advise the Lessor regarding any notice of any claim, levy, lien, or legal process filed or issued against the equipment.
- 17. No Warranty.** Lessor makes no warranties, express or implied, as to the equipment leased. Lessee assumes responsibility for the condition of the equipment.
- 18. Risk of Loss or Damage and Insurance.** Lessee assumes all risk of loss or damage to the equipment from any cause and agrees to return it to the Lessor in the condition received from the Lessor, with the exception of normal wear and tear, unless otherwise provided in this Lease. Lessee shall provide evidence of insurance of the equipment and make Lessor a Named party on the insurance policy. Any lapse of insurance shall be considered a default under the terms of this Agreement.
- 19. Indemnity of Lessor for Loss or Damages.** Unless otherwise provided in this Lease, if the equipment is damaged or lost, Lessor shall have the option of requiring the Lessee to repair the equipment to a state of good working order or replace equipment with like equipment in good repair, which equipment shall become the property of the Lessor and subject

to this Lease.

20. Liability and Indemnity. Liability for injury, disability, and death of workers and other persons caused by operating, handling, or transporting the equipment during the term of this Lease is the obligation of Lessee, and Lessee shall indemnify and hold Lessor harmless from and against all such liability. Lessee shall maintain liability insurance of at least \$1 million as further discussed in Section 18 above, entitled "Risk of Loss or Damage and Insurance.

21. Taxes and Fees. During the term of this Lease, the Lessee shall pay all applicable taxes, assessments, and license and registration fees on the equipment.

22. Default. The occurrence of any of the following shall constitute a default under this Lease:

- A. Failure to make a required payment under this Lease when due.
- B. Violation of any other provision or requirement that is not corrected within 10 days after written notice of the violation is given.
- C. The insolvency or bankruptcy of Lessee.
- D. The subjection of any of Lessee's property to any levy, seizure, assignment, application or sale for or by any creditor or government agency.

23. Rights upon Default. In addition to any other rights afforded the Lessor by law, if the Lessee is in default under this Lease, without notice to or demand on the Lessee, the Lessor may take possession of the equipment as provided by law, deduct the costs of recovery (including attorney fees and legal costs), repair, and related costs, and hold the Lessee responsible for any deficiency. The rights and remedies of the Lessor provided by law and this Agreement shall be cumulative. Lessor shall be obligated to release the equipment, or otherwise mitigate the damages from the default, only as required by law.

Exhibit 1: Equipment Schedule

Lease-End Purchase Price: (Should be included; very important).

Equipment Lease - Review List

This review list is provided to inform you about the document in question and assist you in its preparation. This is a standard straightforward lease agreement. Be sure to file the appropriate local, county, and state liens (UCC forms) against the equipment within the locals where the Equipment is kept by Lessee, according to this Agreement. This not only perfects your interest in the property but also warns off other creditors of Lessee, so they do not attempt to attach the property. If they do, you will have a senior position.

Be sure to establish an end of the lease purchase price in Exhibit 1. Do likewise for a renewal period of the Equipment. GE Capital, for example, has found releasing Equipment very lucrative because the proper paperwork is in place and continuation is quite simple because, by the end of the first lease period, most equipment is worth more than its then supposed capital price. Therefore, you may be well advised from a business perspective to encourage releasing for a reduced price at the end of the lease. In this instance, inertia is on your side since Lessee "has" the Equipment and it is always easier to continue as is rather than getting new equipment, and so on.

1. Make multiple copies so you have several sets for your various files, including your corporate records.
2. Be sure to file liens, as appropriate, as described above against your equipment in the appropriate jurisdictions.