This article presents general guidelines for Georgia nonprofit organizations as of the date written and should not be construed as legal advice. Always consult an attorney to address your particular situation.

EQUIPMENT LEASE CONTRACT CONSIDERATIONS

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Just like for-profit businesses, nonprofits often require the services of third party vendors (typically called the "Lessor") for renting or leasing equipment and products used in their operations. Examples include office equipment (such as copiers), floor mats, uniforms, restroom product dispensers, etc. The company that rents or leases these products to you require a legal contract containing the terms and conditions governing this arrangement. This article summarizes certain terms that may be included in such contracts and should be carefully reviewed and understood before signing. Although these equipment rental contracts are presented as non-negotiable, there are several ways to amend the initial terms offered:

- Ask the Lessor to amend the terms of the contract before signing;
- Cross out or edit unfavorable provisions by hand in ink and have both parties initial the changes (be sure that the Lessor initials before you do); and
- Add a sentence to a section in the contract in which additional terms can be added (often called "Other Terms", "Additional Terms", or just "Other"). For example, if the contract provides for a term (i.e., length of the contract) of five years and you prefer a one-year term, add a sentence that says: "Notwithstanding any other term in this Agreement, the term of the Agreement shall not be longer than one year."

While it may be tempting to sign an agreement for a longer term (e.g., 3, 4 or 5 years) to get better pricing, a longer term can be onerous on nonprofits that go through events that require quick changes to operations and expenses (e.g., COVID-19). Once executed, these types of agreements are typically '*hell or high water*'—meaning that the nonprofit will owe the underlying amounts regardless of its circumstances. Your nonprofit would not have an 'out' of the agreement without substantial cost, most of the times the cost being the same as if the agreement ran full term. This reason alone is enough to consider shorter terms of 1 or 2 years.

As a general matter, every nonprofit should maintain a clear "delegation of authority matrix" that sets forth the limits of authority reserved for the Board of Directors and delegated to the Executive Director and other employees. Nonprofits should also set up an internal process for approval of vendor engagements. The following chart outlines specific equipment lease contract terms that should be carefully reviewed :

TERM	CONSIDERATIONS
Term of Agreement/Termination Rights	• What is the initial term of the agreement? • Does the agreement automatically renew for subsequent terms? • Are you able to terminate the agreement without cause? • These agreements often provide that you must provide notice within a narrow window in order to terminate and avoid an automatic renewal. **Be sure to understand exactly what is required to terminate and then save a reminder on your calendar.**
Pricing	• These agreements often provide that the Lessor may increase prices. • Be sure that you have the right to reject proposed price increases and/or terminate the agreement without penalty instead of accepting a price increase.
Performance	• These agreements may give you the right to terminate the agreement without penalty *if* the Lessor is not performing the services in an acceptable manner. However, they often provide that the Lessor may resolve a complaint about service "in a reasonable period of time", which makes it difficult to terminate the agreement for nonperformance. • Be sure the agreement has a specific cure period that allows you to terminate if service issues are not remedied within a set period of time (i.e., 15-30 days).
Liquidated Damages	• These agreements often provide that you owe a penalty payment if you terminate the agreement before the end of the term. • Be sure to understand whether or not there will be a penalty payment and exactly how that payment is calculated.
Equipment Purchase Rights	• These agreements often give you the right to purchase the equipment at the end of the agreement term. • Be sure to understand how the purchase amount is calculated.
Hidden Fees	• These agreements often give the Lessor the right to charge you fees that are not specifically spelled out in the agreement. • For example, the agreement may include a provision that says: "Lessor may charge you a reasonable fee to cover. documentation and investigation costs." • These provisions should be deleted if possible.
Insurance Requirements	• Equipment leasing agreements often require you to maintain insurance that will cover the cost of the equipment in the event of a loss. • Confirm that your insurance coverage meets the requirements in the agreement.