**CHECKLIST: ISSUES RELATED TO A LEASE AGREEMENT**

Multiple factors affect the continuance and termination of a lease agreement. Therefore, it is necessary to understand how these factors affect the rights and obligations of parties. Thus, the purpose of this checklist is to identify issues that one should consider when negotiating an equipment lease.

* **Term and rent**

Here, a lessee should consider the length of the lease agreement, the amount of rent, mode of payment, and intervals of paying rent.

* **Claims against supplier**

Is there a process to maintain actions against supplier for contractual breaches? What claims or rights can the lessee enforce against the supplier?

* **Transfers**

What is the scope of transfer rights that the lessor enjoys under the lease agreement?

* **Representations and indemnities**

Does the lessee indemnify the lessor against regulatory fees, taxes, and third-party claims?

* **Claims**

Does the lease agreement enable the lessee to initiate actions against third parties either in the lessee’s name or the lessor’s name? At the same time, does the agreement limit the liability of the lessor?

* **Renewal options**

Under what terms and conditions can the parties renew the equipment lease? If the parties can renew the same, for how long can they renew the agreement and what are the tax obligations of the parties?

* **Subleasing**

Is there any clause that allows the lessee to sublease the equipment?

* **Maintenance**

What is the process of maintenance and who bears the expenses for repair?

* **Stipulated losses**

What is the extent of damages that either party can recover after the loss or destruction of the equipment.

* **Insurance**

Who insures the leased equipment? Who is indemnified after the loss or destruction of equipment

* **Amendments**

Does the lease provide for amendments in case of changed circumstances or conditions? This is especially important in long-term leases, when the value of the equipment to the lessee may suddenly decline.

* **Purchase option**

Under what conditions can the lessee exercise the right to buy the leased equipment?

* **Termination**

Under what terms and conditions can either party terminate the lease contract before the expiry date? What vitiating factors give the lessee the right to terminate the lease? Can the innocent party claim damages if lease is terminated before the expiry date?

* **Termination costs**

*In re*spect of termination costs, who bears the expenses for delivery of the equipment to the lessor at the expiry of the lease?

* **Master leases**

If a lessee desires to lease additional equipment, will the parties enter into a new lease agreement or shall the latter lease form part of the existing lease agreement?