
Lease Notification: Pay Attention or Pay the Price

Thank goodness, we're done with that negotiation stuff! The equipment is in and working great. "Stick those legal mumbo-jumbo contract in a file drawer. Let's get back to business and make some money." That is often the command issued from the bridge by the captain of the *USS Hard Working Company*.

There's a sense of relief when an equipment purchase is complete. Business owners think nothing more needs to be done except make the lease payments. Believe that, and companies find ugly surprises. Leases require customer vigilance.

Five Lease Notification Requirements

- 1. Insurance Proof:** If the Lessee does not send the Lessor an insurance binder proving that the leased equipment is covered by General Liability and Physical Damage insurance, the leasing company will secure the insurance for the Lessee, at a high price plus a fee.
- 2. Tax Exempt:** Manufacturing equipment is frequently sales and use tax exempt. State's offer this exemption to encourage businesses to expand, add equipment and increase their employee headcount. Customers must send the leasing company proof that the specific equipment qualifies for the tax exemption or the leasing company collects and remits the taxes to the state. Some leasing companies add a processing fee.
- 3. Relocate Equipment:** Request and receive written permission to move equipment across the room or to another town. Remember, you don't own the equipment, the leasing company owns it.
- 4. Corporate Ownership Changes:** Notify the Lessor at least 30-days prior to any change in the company name, headquarters location or company ownership. If this is not done, the customer is in a contract default. The default paragraph is the longest and most onerous paragraph in a lease. No business wants to pay out how costly is it when a financial contract goes into default.
- 5. End of Lease Notification:** Notify the Lessor of your business plans for the equipment as provided for in the agreement. Do not wait until the lease ends to give notice. This is one of the most costly requirements, If not heeded, the contract Automatically Renews.

WARNING: Lease end options usually include the ability to purchase, return or renew the equipment on the agreement. A Florida printer I know was trapped paying 12 extra payments

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(\$12,000) because they didn't send the Lessor written notice of their intent to purchase the equipment for \$1.00.

The lease required them to send written notice no less than 90-days and no more than 120-days before all of the payments in the agreement had been paid. Oops. Now that's a budget blower. Especially since the company thought they'd own the equipment for the bargain price of only \$1.00.

SUMMARY: On the first day of a new contract, set up a financial contract tracking system to stay informed about all of the notification requirements as outlined in the agreement or be prepared to pay the price.

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Mary A. Redmond, The FearLess Negotiator, works with business professionals who want to become stronger negotiators. After attending one of her workshops or coaching sessions, clients feel more confident in stressful business situation whether they need to close bigger and more complex sales, secure the perfect new job, ask for that well-deserved raise or improve communication with their colleagues, bosses or families.