

**UC Business and Finance Bulletin BUS-43, Materiel Management
Exhibit C, Appendix F, Terms and Conditions of Equipment Lease**

December 15, 1994

Appendix F

University of California

TERMS AND CONDITIONS OF EQUIPMENT LEASE

ARTICLE 1 - GENERAL. For the purpose of these terms and conditions, the terms "University", "Lessor" and "Order" shall hereinafter be defined as follows:

- A. University: The Regents of the University of California.
- B. Lessor: The grantor of the use of personal property by lease.
- C. Order: A straight lease or rental agreement, with or without option to purchase, as indicated on the purchase order.

The equipment, supplies and services covered by this order shall be furnished by Lessor subject to all the terms and conditions set forth in this order including the following, which Lessor, in accepting this order agrees to be bound by and to comply with in all particulars and no other terms or conditions shall be binding upon the parties unless hereafter accepted by them in writing. Written acceptance or shipment of all or any portion of the materials or supplies or the performance of all or any portion of the services covered by this order shall constitute unqualified acceptance of all its terms and conditions. The terms of any proposal referred to in this order are included and made a part of the order only to the extent it specifies the equipment, supplies and services ordered, the price therefor, and the delivery thereof, and then only to the extent that such terms are consistent with the terms and conditions of this order.

ARTICLE 2 - INSPECTION. The equipment, supplies and services furnished shall be exactly as specified in this order, free from all defects in manufacturer's design, workmanship and materials, and, except as otherwise provided in this order, shall be subject to inspection and testing by University at all times and places. If, prior to final acceptance, any equipment, supplies or services are found to be defective or not as specified, University may reject them, require Lessor to correct them without charge, or require delivery of such equipment, supplies, or services at a reduction in price which is equitable under the circumstances. If Lessor is unable or refuses to correct such items within a time deemed reasonable to University, University may terminate the order in whole or in part. Lessor shall bear all risks as to rejected equipment, supplies and services and, in addition to any costs for which Lessor may become liable to University under other provisions of this order, shall reimburse University for all transportation costs, other related costs incurred, or payments to Lessor in accordance with the terms of this order for unaccepted equipment, supplies and services. Notwithstanding final acceptance and payment Lessor shall be liable for latent defects, fraud or such gross mistakes as amount to fraud.

ARTICLE 3 - TERMS OF USE. Except as otherwise provided on the face of this order, the specified rental payments shall entitle University to unlimited use and operation of said equipment at any time and any place and for any period of time at the convenience of University (exclusive of the time required for preventive and remedial maintenance) and shall not be restricted to consecutive hours, length of personnel shifts, or any other restrictions.

ARTICLE 4 - CHANGES. No change to the lease shall be allowed without written approval of University. Any claim of Lessor for an adjustment under this Article must be made in writing within thirty (30) days from the date of receipt notification of such change unless University waives this condition in writing. Nothing in the Article shall excuse Lessor from proceeding with performance of the order as changed hereunder.

ARTICLE 5 - TERMINATION. University may at its option, by written notice stating the extent and effective date, terminate this order at the anniversary date of the lease or at the end of any fiscal year in whole or in part in the event the funding agency does not appropriate sufficient funds to continue the lease payments.

University may by written notice terminate this order for Lessor's default, in whole or in part, at any time, if Lessor refuses or fails to comply with the provisions of this order, or so fails to make progress as to endanger performance

and does not cure such failure within a reasonable period of time, or fails to make deliveries of said equipment or supplies or perform the services within the time specified or any written extension thereof.

In the event University defaults in the payment of any amount due or to become due under the terms of the lease or defaults in the performance of any of the terms and conditions hereof, all the University's rights hereunder as to use and possession of the equipment shall, at the option of Lessor, terminate and Lessor shall become entitled to retain all rentals and to take possession of the property, provided however, that in such event neither Lessor nor University shall have the right to rent said equipment to any third party so long as it remains on the premises of University.

ARTICLE 6 - TITLE. Lessor covenants that it is the sole owner of said property, and that no other person, party, firm or corporation has any right, title, interest in or to same and that during the term of this lease said Lessor will not sell or encumber said property, or any interest therein, except subject to the rights given University by virtue of the lease. Title to said property, including any accessories and devices furnished by Lessor except those subsequently purchased by University, vests in Lessor, and said property may be removed by Lessor at or after termination of this Agreement unless purchased by University pursuant to its Purchase Option, if any.

ARTICLE 7 - PAYMENT. Unless otherwise provided for in this order, lease charges shall be invoiced in arrears and shall be payable thirty (30) days after the end of the period for which the charges accrue or thirty (30) days after University's receipt of invoice whichever is later.

ARTICLE 8 - TAXES. Lessor alone shall pay any license fees, assessments, sales, use and other taxes lawfully imposed during the term hereof upon the equipment, supplies or services furnished pursuant to this order.

ARTICLE 9 - PROPERTY TAX EXEMPTION. Lessor agrees to cooperate with University and do all acts reasonably necessary and appropriate to secure and maintain tax exemption of the property leased hereunder pursuant to Article 13, section 3 of the California Constitution. Lessor agrees to apply the amount of any reduction of tax resulting from such exemption as a credit against rental payments otherwise due by University to Lessor hereunder.

ARTICLE 10 - WARRANTY. Lessor warrants that said equipment, including accessories, will be in good operating condition when installed and that any subsequent defects in design, materials or workmanship during the term of this Lease will be corrected by Lessor at its sole expense. Lessor will inform University of the terms and conditions of any manufacturer's warranty in effect on the commencement date of this lease. In the event of defect in design, material, or workmanship during the term of the lease, the Lessor will assert any Manufacturer's Warranty in effect between Lessor and the Manufacturer at the time the defect becomes apparent.

ARTICLE 11 - PROPRIETARY RIGHTS INDEMNITY. Lessor shall indemnify, defend, and hold harmless University, its officers, agents, and employees against all losses, damages, liabilities, costs, and expenses (including but not limited to attorneys' fees) resulting from any judgment or proceeding in which it is determined, or any settlement agreement arising out of the allegation, that Lessor's furnishing or supplying University with parts, goods, components, programs, practices, or methods under this order or University's use of such parts, goods, components, programs, practices, or methods supplied by Lessor under this order constitutes an infringement of any patent, copyright, trademark, trade name, trade secret, or other proprietary or contractual right of any third party. The foregoing shall not apply unless University has informed Lessor as soon as

practicable of the suit or action alleging such infringement. Lessor shall not settle such suit or action without the consent of University. University retains the right to participate in the defense against any such suit or action.

ARTICLE 12 - TRANSPORTATION AND INSTALLATION. Unless otherwise provided for in this order, Lessor will be responsible for all transportation and handling costs related to the shipment to and from University of the leased equipment. Should the equipment require specialized installation, Lessor will provide the required technical assistance at no charge.

ARTICLE 13 - ASSIGNMENT. This order is not assignable by Lessor, except as to any payment due hereunder, without the written approval of University.

ARTICLE 14 - EQUAL OPPORTUNITY AFFIRMATIVE ACTION. Lessor shall not maintain or provide racially segregated facilities for employees at any establishment under its control. Lessor agrees to adhere to the requirements set forth in Executive Orders 11246 and 11375, and with respect to activities occurring in the State of California, to the California Fair Employment and Housing Act (Government Code section 12900 et seq.). Expressly, Lessor shall not discriminate against any employee or applicant for employment because of race, color, religion, sex, national origin, ancestry, medical condition (as defined by California Code section 12925[f]), marital status, age, physical and mental handicap in regard to any position for which the employee or applicant for employment is qualified, or because he or she is a disabled veteran or veteran of the Vietnam era. Lessor shall further specifically undertake affirmative action regarding the hiring, promotion and treatment of minority group persons, women, the handicapped, and disabled veterans and veterans of the Vietnam era. Lessor shall communicate this policy in both English and Spanish to all persons concerned within its company, with outside recruiting services, and the minority community at large. Lessor shall provide the University on request a breakdown of its labor force by groups, specifying the above characteristics within job categories, and shall discuss with the University its policies and practices relating to its affirmative action programs.

ARTICLE 15 - SERVICE AND MAINTENANCE. In the event this order includes service and maintenance of said equipment, Lessor will provide such service and maintenance required to keep said equipment in good working condition throughout the term of lease. The service and maintenance will consist of not less than: (1) periodic cleaning, and adjustments in the mechanisms and replacing unserviceable parts, and (2) emergency repair service, including replacement of unserviceable parts. In order to perform maintenance service hereunder Lessor shall have reasonable access to the leased equipment to the extent practical in consonance with operational requirements. Lessor agrees that its failure to provide service and maintenance to keep the equipment in good operating condition shall result on a credit of 1/30th of the monthly lease payments for every twenty-four (24) hour period or portion thereof following the first twenty-four (24) hours after notification to Lessor that the equipment is inoperative.

ARTICLE 16 - ALTERATIONS. University or its authorized agents may make alterations or install attachments to the equipment and the Lessor shall be so notified. In the event that such changes substantially increase the cost of maintenance, mutually agreeable arrangements for additional maintenance service shall be made on an individual installation basis. Such alterations or attachments which are not the property of Lessor shall be removed immediately after discontinuation of lease (unless University elects to exercise its Purchase Option) and the equipment restored to the prior configuration (ordinary wear and tear only excluded) at University's expense. Lessor shall inform University of any provisions in the manufacturer's warranty which may cause the warranty to be affected by any such alterations or attachments.

ARTICLE 17 - RISK OF LOSS. During the period of time that property covered by this order is in the possession of University, University (and its customers, if installed on University's customers' premises) shall take good care of the property and University shall be responsible for any loss of or damage to the property caused by University while in its possession and control, unless such damage or loss is a consequence, directly or indirectly of intentional or negligent acts or omissions of Lessor or Lessor's agents.

ARTICLE 18 - OPTION TO PURCHASE. University is hereby given the option (provided University is not in default in the performance of any of its obligations hereunder) to purchase any or all of said property at the times and for the amounts set forth in this order. As of the date of exercise of the option, University's Standard Terms and Conditions of Purchase shall be substituted for the terms and conditions applicable to this lease. Said terms and conditions of purchase shall be those in effect as of the date the property was installed, provided that the period of manufacturer's warranty set forth therein shall be Rev. 4/94

deemed to have commenced as of the date the Lease Terms commenced, and University shall be entitled to the remaining portion, if any, of said warranty period.

University shall exercise such option to purchase said property by notifying Lessor in writing of its intention to do so. Such notice may be delivered to Lessor's office or may be mailed to Lessor at the address specified by Lessor. Such notice shall be given by University to Lessor not less than thirty (30) days before the expiration of the current year of the lease. Lessor shall keep University advised of any change of Lessor's address for the purpose of such notice.

ARTICLE 19 - LESSOR'S LIABILITY AND INSURANCE REQUIREMENTS

A. INDEMNIFICATION. Lessor shall defend, indemnify, and hold harmless University, its officers employees, and agents, from and against all losses, expenses (including attorney's fees), damages, and liabilities of any kind resulting from or arising out of this agreement and/or Lessor's performance hereunder, provided such losses, expenses, damages, and liabilities are due or claimed to be due to the negligent or willful acts or omissions of Lessor, its officers, employees, agents, subcontractors, or anyone directly or indirectly employed by them, or any person or persons under Lessor's direction and control.

B. INSURANCE. In consideration of the above, Seller shall at its expense obtain, keep in force and maintain insurance to cover its performance under this order as follows:

1. Comprehensive or Commercial Form General Liability Insurance (Contractual Liability Included)
Minimum Limits:

- | | |
|----------------------------------|----------|
| 1. Each Occurrence | \$ _____ |
| 2. Products/Completed Operations | \$ _____ |

If the above insurance is written on a claims made form, it shall continue for three years following termination of this agreement. The insurance shall have a retroactive date of placement prior to or coinciding with the effective date of this agreement

2. Business Auto Liability: (Owned, Scheduled, Non-Owned, or Hired Automobiles) with a combined single limit of no less than
\$ _____ per occurrence.
3. Workers' Compensation as required under California State law.

Lessor, upon the execution of this agreement shall furnish University with Certificates of Insurance evidencing compliance with all requirements. Coverages referred to under B 1. and 2. above shall include The Regents of the University of California as an additional insured, but only with respect to the negligent acts or omissions of Seller, its officers, agents, employees, subcontractors or anyone directly or indirectly employed by them, or any other person or persons under its direction and control. The Certificates of Insurance shall obligate Lessor's insurers to notify University at least 30 days prior to cancellation of or change in any of said insurance.

ARTICLE 20 - OTHER APPLICABLE LAWS. Any provisions required to be included in a contract of this type by any applicable and valid federal, state or local law, ordinance, rule or regulation shall be deemed to be incorporated herein.