**INFORMATION TECHNOLOGY CATEGORY**

**HARDWARE SUBCATEGORY**

**SIN 532420L Option 1 Lease Terms and Conditions**

Option 1 Lease Terms and Conditions does not contain a cancellation clause and all leases automatically expire on September 30th or sooner.

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| 52.207-5  | Option to Purchase Equipment | Feb 1995 |
| 52.227-14 | Rights in Data-General | May 2014 |

1. STATEMENT

a. It is understood by all parties to this contract that orders issued under this SIN shall constitute a lease arrangement. Unless the ordering activity intends to obligate other than annual appropriations to fund the lease, the base period of the lease is from the date of the product acceptance through September 30 of the fiscal year in which the order is placed.

b. Agencies are advised to follow the guidance provided in Federal Acquisition Regulation (FAR) Subpart 7.4 Product Lease or Purchase and OMB Circular A-11. Agencies are responsible for the obligation of funding consistent with all applicable legal principles when entering into any lease arrangement.

2. FUNDING AND PERIODS OF LEASING ARRANGEMENTS

a. Annual Funding. When annually appropriated funds are cited on an order for leasing, the following applies:

1. The base period of an order for any lease executed by the ordering activity shall be for the duration of the fiscal year. All ordering activity renewal options under the lease shall be specified in the delivery order. All orders for leasing shall remain in effect through September 30 of the fiscal year or the planned expiration date of the lease, whichever is earlier, unless the ordering activity exercises its rights hereunder to acquire title to the product prior to the planned expiration date or unless the ordering activity exercises its right to terminate under GSAR 552.212-4. Orders under the lease shall not be deemed to obligate succeeding fiscal year’s funds or to otherwise commit the ordering activity to a renewal.
2. All orders for leasing shall automatically terminate on September 30, unless the ordering activity notifies the Contractor in writing thirty (30) calendar days prior to the expiration of such orders of the ordering activity’s intent to renew. Such notice to renew shall not bind the ordering activity. The ordering activity has the option to renew each year at the original rate in effect at the time the order is placed. This rate applies for the duration of the order. If the ordering activity exercises its option to renew, the renewal order shall be issued within 15 days after funds become available for obligation by the ordering activity, or as specified in the initial order. No termination fees shall apply if the ordering activity does not exercise an option.

b. Crossing Fiscal Years Within Contract Period. Where an ordering activity has specific authority to cross fiscal years with annual appropriations, the ordering activity may place an order under this option to lease product for a period up to the expiration of its period of appropriation availability, or twelve months, whichever occurs later, notwithstanding the intervening fiscal years.

3. DISCONTINUANCE AND TERMINATION

Notwithstanding any other provision relating to this SIN, the ordering activity may terminate products leased under this agreement, at any time during a fiscal year in accordance with the termination provisions contained in GSAR 552.212-4(l) Termination for the ordering activity’s convenience, or (m) Termination for cause. Additionally, no termination for cost or fees shall be charged for non-renewal of an option.

1. The following terms and conditions may be included.
2. ASSIGNMENT OF CLAIMS

GSAR 552.232-23, Assignment of Claims, is incorporated herein by reference as part of these lease provisions. The ordering activity’s contracting officer will acknowledge the assignment of claim for a lease in accordance with FAR 32.8. The extent of the assignee’s protection is in accordance with FAR 32.804. Any setoff provision must be in accordance with FAR 32.803.

1. PEACEFUL POSSESSION AND UNRESTRICTED USE

In recognition of the types of products available for lease and the potential adverse impact to the ordering activity’s mission, the ordering activity’s quiet and peaceful possession and unrestricted use of the product shall not be disturbed in the event the product is sold by the Contractor, or in the event of bankruptcy of the Contractor, corporate dissolution of the Contractor, or other event. The product shall remain in the possession of the ordering activity until the expiration of the lease. Any assignment, sale, bankruptcy, or other transfer of the leased product by the Contractor will not relieve the Contractor of its obligations to the ordering activity, and will not change the ordering activity’s duties or increase the burdens or risks imposed on the ordering activity.

1. COMMENCEMENT OF LEASE

The date on which the ordering activity accepts the products is the Commencement Date of the lease. Acceptance is as defined elsewhere in the contract, or as further specified in the order.

1. INSTALLATION AND MAINTENANCE
2. Installation and Maintenance, when applicable, normally are not included in the charge for leasing. The Contractor may require the ordering activity to obtain installation and maintenance services from a qualified source. The ordering activity may obtain installation and/or maintenance on the open market, from the Contractor’s schedule contract, or from other sources. The ordering activity may also perform installation and/or maintenance in house, if qualified resources exist. In any event, it is the responsibility of the ordering activity to ensure that maintenance is in effect for the Lease term for all products leased.
3. When installation and/or maintenance are ordered under this schedule to be performed by the Contractor, the payments, terms and conditions as stated in this contract apply. The rates and terms and conditions in effect at the time the order is issued shall apply during any subsequent renewal period of the lease. The maintenance rates and terms and conditions may be added to the lease payments with mutual agreement of the parties.
4. MONTHLY PAYMENTS:
	1. Prior to the placement of an order under this Special Item Number, the ordering activity and the Contractor must agree on a “base value” for the products to be leased. For Lease to Ownership (Capital Lease) the base value will be the contract purchase price (less any discounts). For Lease with Option to Own (Operating Lease), the base value will be the contract purchase price (less any discounts), less a mutually agreed upon residual value (pre-stated purchase option price at the conclusion of the lease) for the products. The residual value will be used in the calculation of the original lease payment, lease extension payments, and the purchase option price.
	2. To determine the initial lease term payment, the Contractor agrees to apply the negotiated lease factor to the agreed upon base value:

For Example: Lease factor one (1) percent over the rate for the three year (or other term) Treasury Bill (T-bill) at the most current U. S. Treasury auction.

The lease payment may be calculated by using a programmed business calculator or by using “rate” functions provided in commercial computer spreadsheets.

* 1. For any lease extension, the extension lease payment will be based on the original residual value, in lieu of the purchase price. The ordering activity and the Contractor shall agree on a new residual value based on the estimated fair market price at the end of the extension. The formula to determine the lease payment will be that in 5.b. Above.
	2. The purchase option price will be the fair market value of the product or payment will be based upon the unamortized principle, as shown on the payment schedule as of the last payment prior to the date of transfer of ownership, whichever is less.
	3. The point in time when monthly rates are established is subject to negotiation and evaluation at the order level.
	4. In the event the ordering activity desires, at any time, to acquire title to product leased hereunder, the ordering activity may make a one-time lump sum payment.
1. LEASE END/DISCONTINUANCE OPTIONS
	1. Upon the expiration of the Lease Term, Termination for Convenience, or Termination for Non- Appropriation, the ordering activity will return the Product to the Contractor unless the ordering activity by 30 days written notice elects either:
		1. to purchase the product for the residual value of the product, or
		2. to extend the term of the Lease, as mutually agreed. To compute the lease payment, the residual value from the preceding lease shall be the initial value of the leased product. A new residual value shall be negotiated for the extended lease and new lease payments shall be computed.
2. Relocation - The ordering activity may relocate products to another location within the ordering activity with prior written notice. No other transfer, including sublease, is permitted. ordering activity shall not assign, transfer or otherwise dispose of any products, or any interest therein, or crate or suffer any levy, lien or encumbrance then except those created for the benefit of Contractor or its assigns.
3. Returns
	1. Within fourteen (14) days after the date of expiration, non-renewal or termination of a lease, the ordering activity shall, at its own risk and expense, have the products packed for shipment in accordance with manufacturer's specifications and return the products to Contractor at the location specified by Contractor in the continental US, in the same condition as when delivered, ordinary wear and tear excepted. Any expenses necessary to return the products to good working order shall be at ordering activity's expense.
	2. The Contractor shall conduct a timely inspection of the returned products and within 45 days of the return, assert a claim if the condition of the product exceeds normal wear and tear.
	3. Product will be returned in accordance with the terms of the contract and in accordance with Contractor instruction.
	4. With respect to software, the ordering activity shall state in writing to the Contractor that it has:
		1. deleted or disabled all files and copies of the software from the equipment on which it was installed;
		2. returned all software documentation, training manuals, and physical media on which the software was delivered; and
		3. has no ability to use the returned software.
4. UPGRADES AND ADDITIONS
5. The ordering activity may affix or install any accessory, addition, upgrade, product or device on the product ("additions") provided that such additions:
	* 1. can be removed without causing material damage to the product;
		2. do not reduce the value of the product; and
		3. are obtained from or approved by the Contractor, and are not subject to the interest of any third party other than the Contractor.
6. Any other additions may not be installed without the Contractor's prior written consent. At the end of the lease term, the ordering activity shall remove any additions which:
	* 1. were not leased from the Contractor, and
		2. are readily removable without causing material damage or impairment of the intended function, use, or value of the product, and restore the product to its original configuration.
7. Any additions that are not so removable will become the Contractor's property (lien free).
8. Leases of additions and upgrades must be co-terminus with that of the product.
9. RISK OF LOSS OR DAMAGE

The ordering activity is relieved from all risk of loss or damage to the product during periods of transportation, installation, and during the entire time the product is in possession of the ordering activity, except when loss or damage is due to the fault or negligence of the ordering activity. The ordering activity shall assume risk of loss or damage to the product during relocation, (i.e., moving the product from one ordering activity location to another ordering activity location), unless the Contractor shall undertake such relocation.

1. TITLE

During the lease term, product shall always remain the property of the Contractor. The ordering activity shall have no property right or interest in the product except as provided in this leasing agreement and shall hold the product subject and subordinate to the rights of the Contractor. Software and software licenses shall be deemed personal property. The ordering activity shall have no right or interest in the software and related documentation except as provided in the license and the lease. Upon the Commencement Date of the Lease Term, the ordering activity shall have an encumbered license to use the software for the Lease Term. The ordering activity’s encumbered license rights in the software will be subject to the same rights as provided to a purchaser of a license under the terms of this contract except that the ordering activity will not have an unencumbered, paid-up license until it has made all lease payments for the full Lease Term in the case of a Lease To Ownership or has otherwise paid the applicable purchase option price.

1. TAXES

The lease payments, purchase option prices, and interest rates identified herein exclude all state and local taxes levied on or measured by the contract or sales price of the product furnished hereunder. The ordering activity will be invoiced for any such taxes as Contractor receives such tax notices or assessments from the applicable local taxing authority. Pursuant to the provisions of FAR 52.229-1 State and Local Taxes, the ordering activity agrees to pay tax or provide evidence necessary to support an exemption from the tax.

1. ADDITIONAL LEASE TERMS

Offeror may propose additional lease terms and conditions for billings, payments, and/or invoices, as long as they are consistent with the terms and conditions specified elsewhere.