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HOW TO USE THE CAPITAL LEASING PILOT PROJECT REGULATIONS

A Self-Learning Tool For Lessors

Canada Small Business Financing Act



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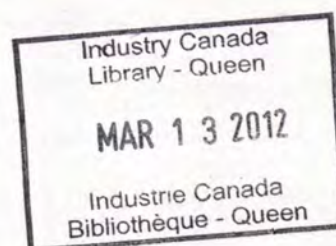
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INTRODUCTION: ABOUT THE CAPITAL LEASING PILOT PROJECT

This booklet is intended to help you understand and use the *Canada Small Business Financing (Establishment and Operation of Capital Leasing Pilot Project) Regulations* (the Regulations).

The Capital Leasing Pilot Project is an extension of the Canada Small Business Financing Program (formerly the Small Business Loans Program) operating under the *Canada Small Business Financing Act* (CSBFA). For over 40 years this federal program has helped small businesses obtain financing. The Program provides for the federal government to share liability for eligible losses on loans made by lending institutions to eligible small businesses.

In general, the Capital Leasing Pilot Project applies to capital leases:

- to Canadian businesses with annual gross revenues of \$5 million or under;
- for the purpose of financing eligible new and used equipment (including automobiles, and commercial and other vehicles) for the operation of the business;
- for amounts of up to \$250 000, including all loans and capital leases registered under the CSBFA or the *Small Business Loans Act* (SBLA);
- for terms of up to 10 years; and
- to be registered with Industry Canada's Small Business Loans Administration (the Administration).

For leasing companies, this unique partnership opportunity levels the playing field with lending institutions. It helps you attract a new client group. It shares the financial risks of financing small and medium-sized enterprises. But it requires adherence to financial and administrative procedures.

Shared responsibilities

Lessors are responsible for:

- making credit decisions;
- registering capital leases with Industry Canada and remitting the 2 percent registration fee;
- administering the capital lease and remitting the 1.25 percent administration fee;
- reporting the outstanding balance of all capital leases at the end of each year; and
- in the event of default, realizing on all securities and submitting a claim for loss (if any) to Industry Canada.

Industry Canada is responsible for administering the pilot project, including:

- approval and designation of lessors;
- registration of capital leases;
- collection of fees; and
- auditing of claim files and payment of losses on eligible claims.

Industry Canada also monitors and evaluates the pilot project.

Note: The government is responsible for 85 percent of eligible losses on individual leases. Lessors are responsible for the remaining 15 percent of eligible losses.

How to use this booklet

This booklet is designed as a self-learning tool for lessors who participate in the pilot project. It can be used in a variety of ways:

- For a **new capital lease**, turn to **page 4** and follow the flowcharts and checklists to screen and register the capital lease.
- For **changes to a registered capital lease**, turn to **page 18** for guidance on how to avoid loss of eligibility.
- For a **claim for loss**, turn to **page 20** to find tips on how to avoid potential errors.
- In general, it's a good idea to familiarize yourself with the booklet and keep it for future reference.

This booklet is not a legal document. In case of any conflict in interpretation, the Regulations will prevail at all times.

Consult the Guidelines

For situations that are unclear, consult the *Capital Leasing Pilot Project Guidelines* for more information (to obtain a copy, visit <http://strategis.gc.ca/csbfa>). Also consult any guidelines your company may have on how to use the pilot project. Check your internal operations manual or contact the appropriate individual for information.

ENTERING INTO A CAPITAL LEASE

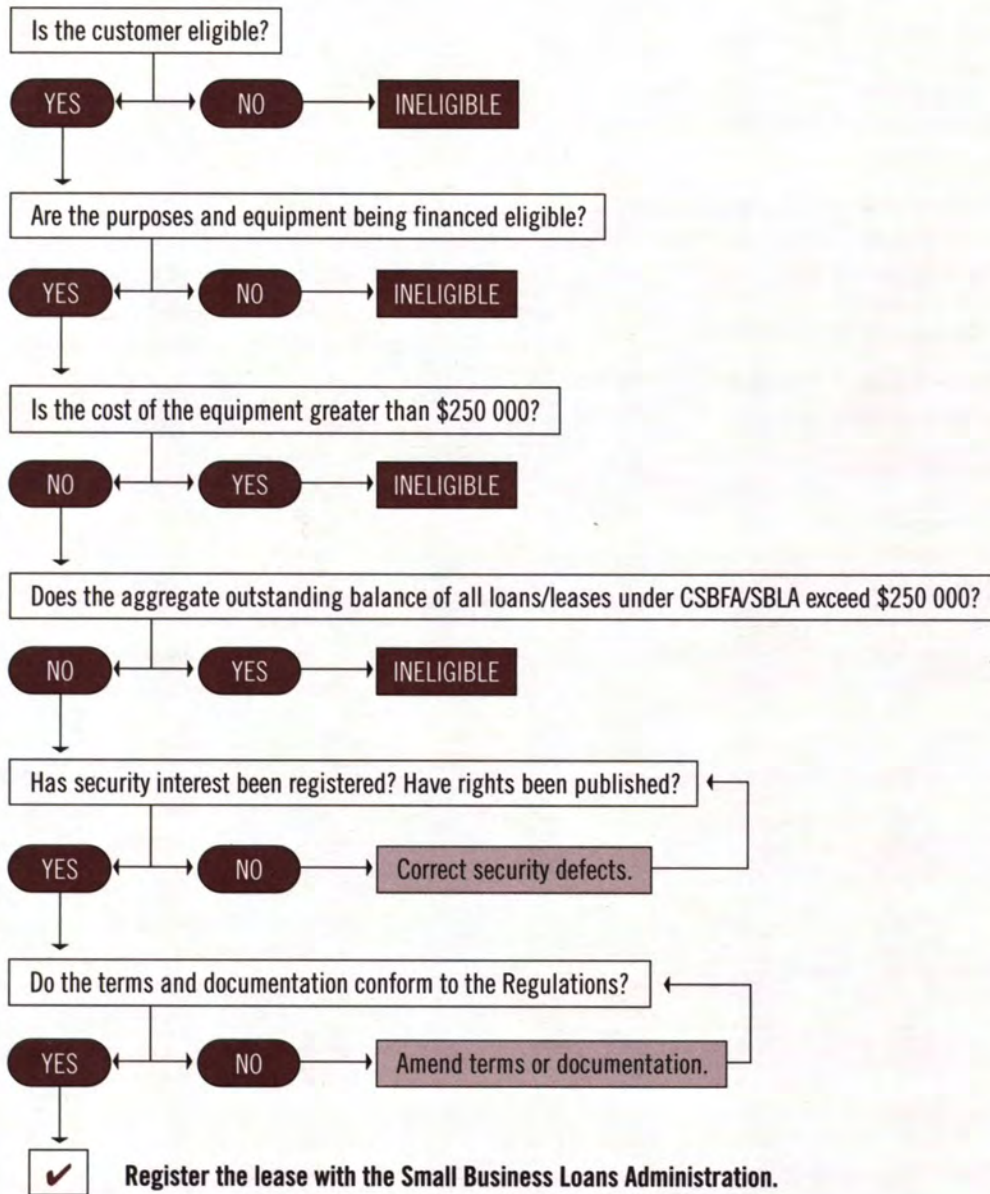
Every effort has been made to keep the lease screening and registration process as simple as possible. Use the charts on the following pages as a guide.

Due diligence and care

The Capital Leasing Pilot Project is intended to make financing available to small businesses that might not otherwise meet commercial financing requirements. Lessors are expected to enter into and manage pilot project capital leases with the same due diligence, care and procedures as they would apply with any other capital lease. Before entering into a capital lease, lessors should conduct their regular due diligence, including as a minimum:

- checking the creditworthiness of the business;
- obtaining credit references or conducting a credit check on key individuals;
- assessing the business's ability to meet the capital lease payments, taking into account all the other financial obligations of the lessee;
- providing for a lease term similar to that for a capital lease not covered by the pilot project; and
- in the case of used equipment, substantiating in writing the fair market value and the economic life of the used equipment.

Entering into a CSBFA capital lease: An overview



Customer eligibility

Small businesses are eligible to receive a capital lease under the pilot project, subject to certain restrictions.

To be eligible, a lessee's business must:

- be for profit;
- operate in Canada, or plan to do so in the case of start-ups; and
- have estimated annual gross revenues not exceeding \$5 million for the fiscal period when the lease is approved.

The following businesses are not eligible:

- agricultural businesses whose principal income is derived from farming;
- charitable organizations;
- religious organizations;
- social or service clubs; or
- other non-profit organizations.

What is a capital lease?

A capital lease under the Regulations is a lease or leasing under which a lessor provides equipment to a lessee, meeting at least one of the following conditions:

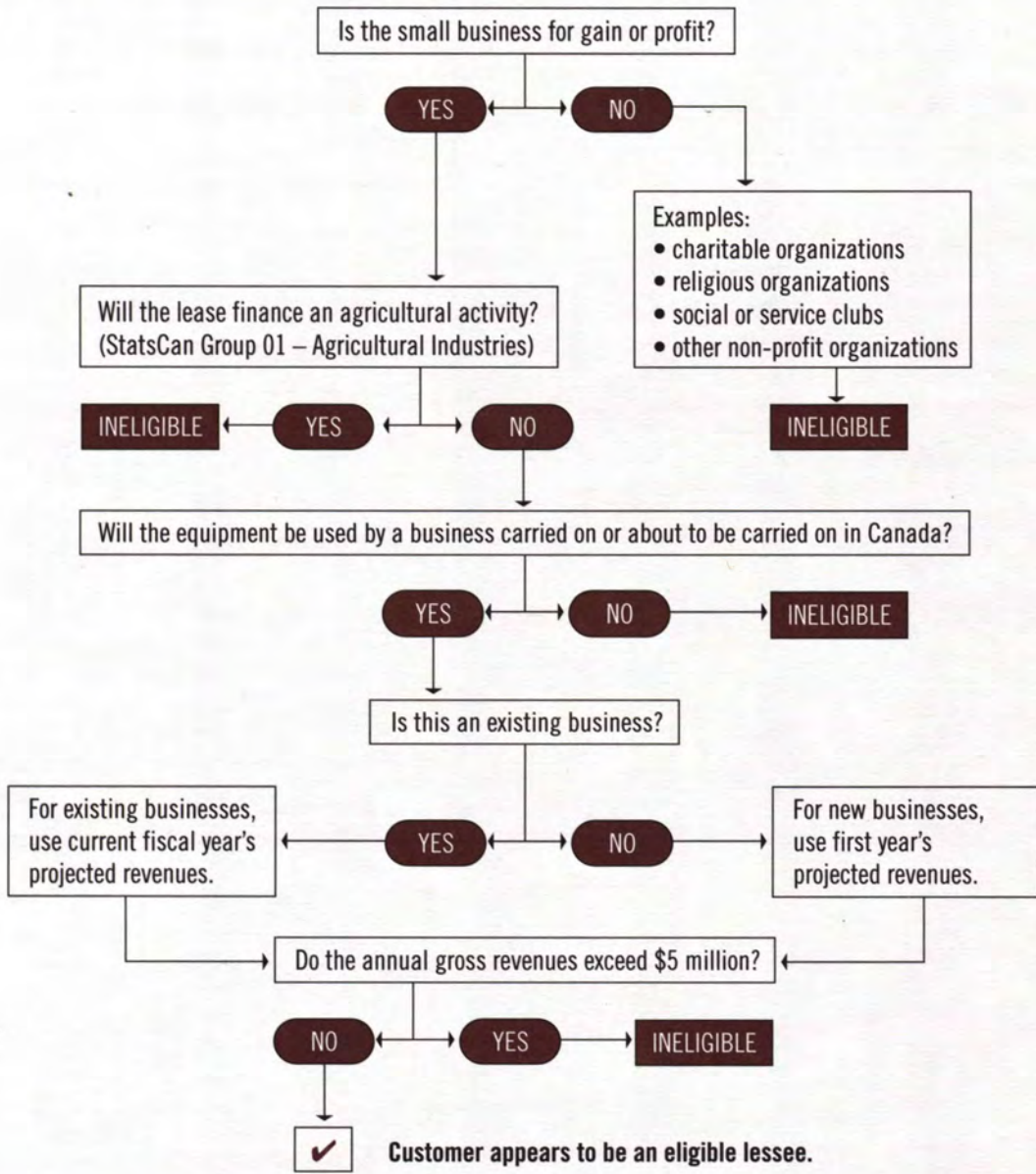
- it includes a bargain purchase option;
- it provides for the transfer of ownership of the leased equipment to the lessor at the end of the term;
- the lease term is greater than 75 percent of the economic life of the equipment; and
- the net present value of the payments made under the lease is 90 percent or more of the cost of the equipment on the day the lease was entered into.

Notes: 1) A capital lease is entered into on the date that the capital lease is signed by the lessee and the lessor.

2) The economic life of the leased equipment is the estimated remaining period during which the equipment is expected to be economically usable by one or more users, with normal repairs and maintenance, for the purpose for which it was intended at the inception of the lease and without limitation by the lease term.

3) The net present value of the scheduled payments is calculated using a discount rate equal to the annual imputed interest rate used to determine the scheduled capital lease payments.

Is the customer eligible for a capital lease?



Equipment eligibility

The Regulations are intended to help small businesses lease equipment to be used in Canada for a new or existing business.

Eligible equipment may be:

- new equipment; or
- used equipment, in which case the lease term must be shorter than the remaining economic life of the equipment.

Notes: 1) Costs necessary for operation of the equipment are eligible. They can include items such as transportation, installation, basic support software providing general capability, and non-refundable taxes and customs duties.

2) The 2 percent registration fee may be financed by adding it to the cost of the equipment as part of the capital lease.

Ineligible for capital leases:

- equipment costing over \$250 000;
- equipment for which the financed cost is greater than 100 percent of the cost of the equipment;
- real property or immovables;
- equipment that is the subject of a conditional sale contract; or
- equipment that is the subject of a sale-and-leaseback.

Amount of financing

Two factors must be taken into account in determining the maximum total financing amount:

- The aggregate outstanding balance of all CSBFA and SBLA loans and capital leases to a lessee and related lessees/borrowers cannot exceed \$250 000.
- The financing provided in the capital lease must not exceed 100 percent of the eligible cost of the equipment.

The total financing amount of the capital lease includes:

- the eligible cost of the equipment; and
- the 2 percent registration fee, if financed.

The eligible cost of the equipment can include:

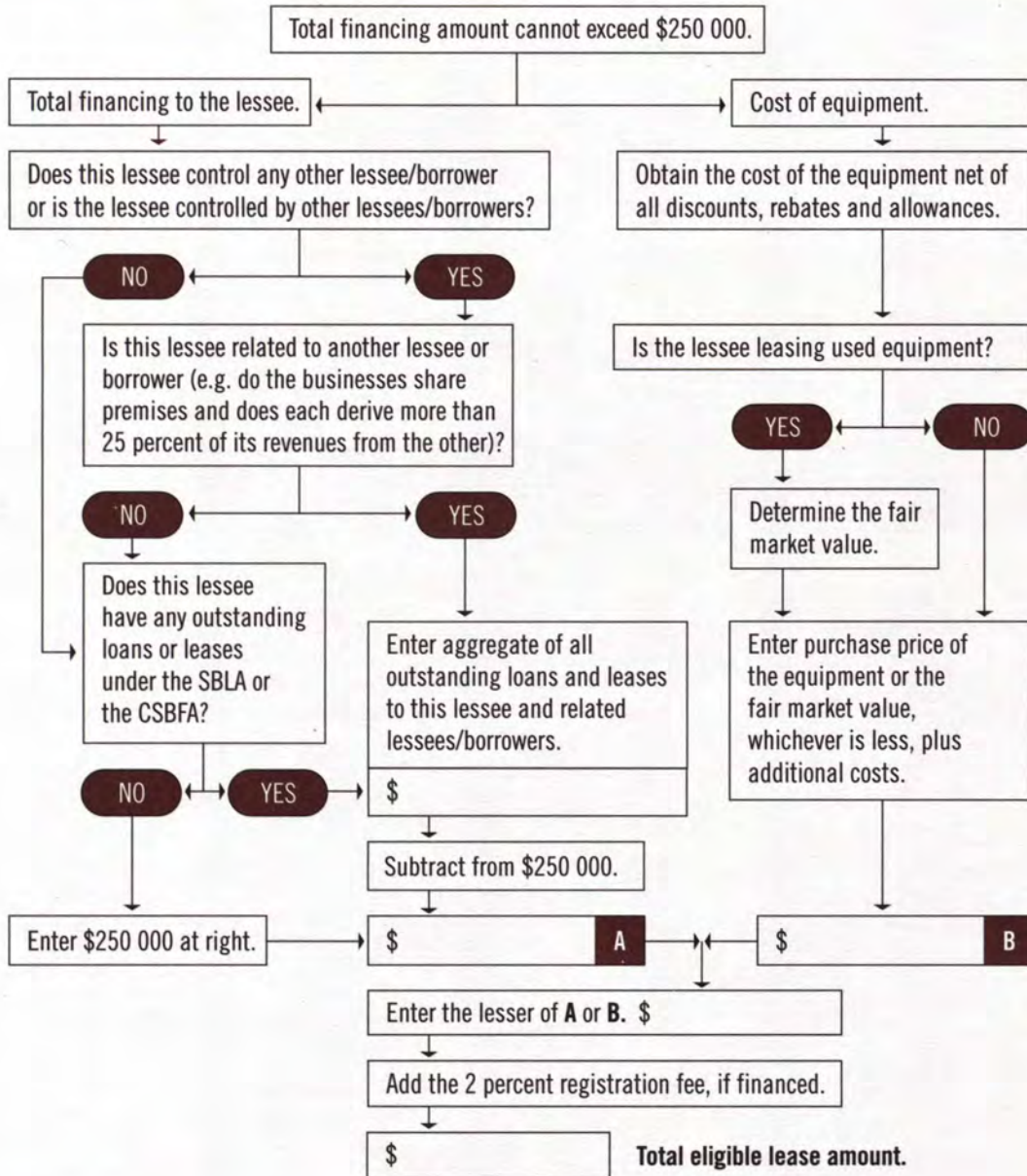
- the purchase price of new equipment;
- the purchase price or the fair market value of used equipment, whichever is less;
- freight and transportation charges;
- installation and testing, and a demonstration when the equipment is installed;
- the basic support software providing general capability to operate the equipment; and
- non-refundable customs duties and taxes, if applicable.

The eligible cost of the equipment cannot include:

- any discounts, rebates or allowances;
- the lessee's labour costs;
- training costs;
- refundable customs duties and taxes; or
- any other charge.

Note: The cost of the equipment cannot exceed \$250 000 and the total financing amount cannot exceed \$250 000.

Determining the total financing amount



Security

REGISTRATION OF SECURITY INTEREST OR PUBLICATION OF RIGHTS

Lessors shall:

- register a security interest on the leased equipment according to provincial law; or
- where applicable, make a valid publication in the Registry Office.

Additional security is optional.

Lessors may take:

- additional security on any other business assets of the lessee's business in receipt of the capital lease;
- secured or unsecured corporate guarantees; or
- personal guarantees that are unsecured and in total do not exceed 25 percent of the total financing amount of the capital lease. In addition to the 25 percent there may be interest on any judgment against the guarantor, legal fees and disbursements, and other costs.

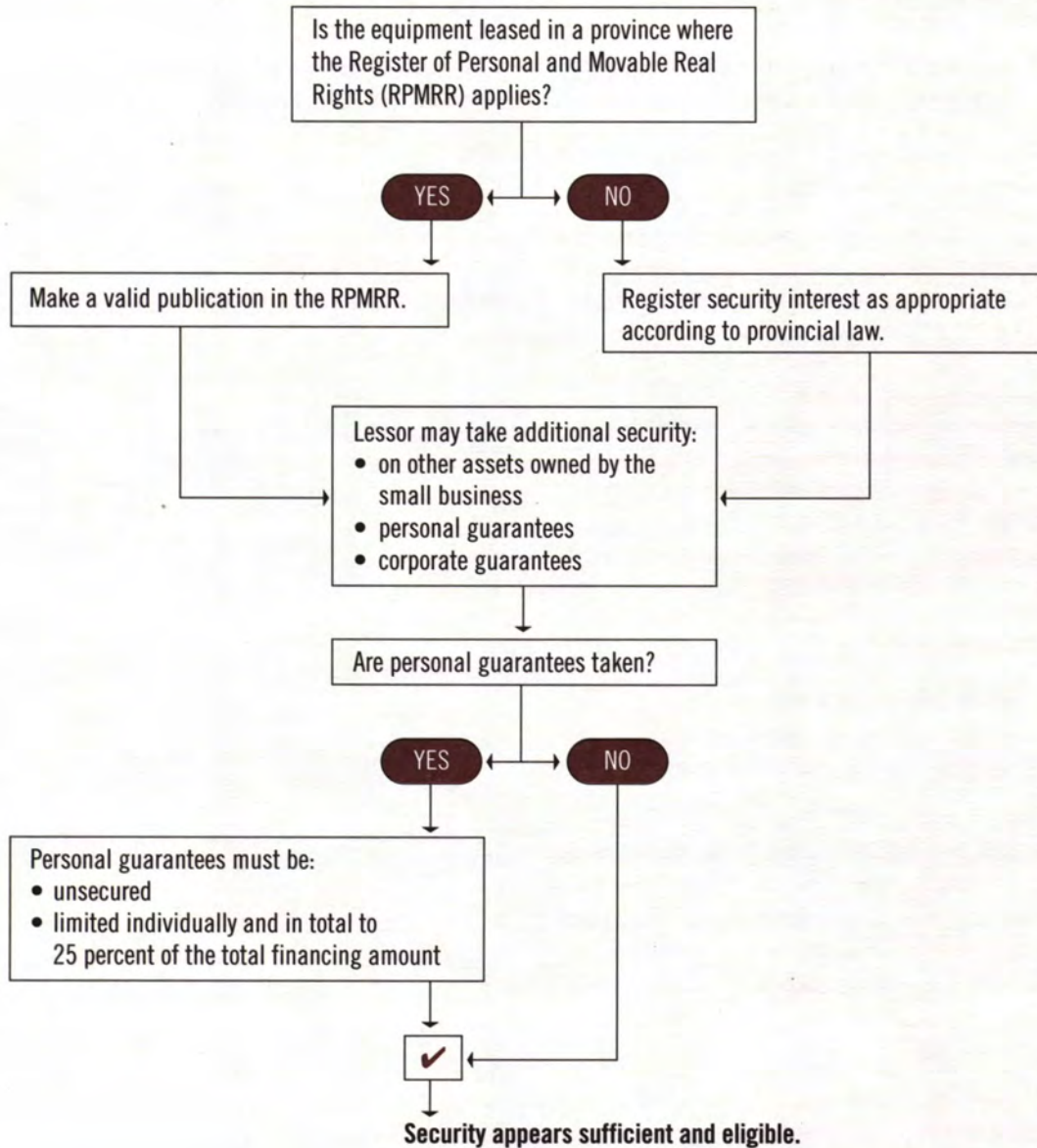
RELEASE AND SUBSTITUTION OF SECURITY

Lessors may release:

- additional security on other business assets of the lessee if the capital lease is in good standing; or
- guarantees (personal and corporate) if the lease is in good standing and the lessee has paid 50 percent of the total financing amount of the capital lease.

Lessors may replace any guarantees with security in any assets of the business, or with another guarantee of equal or greater value.

Is the security sufficient and eligible?



Terms and documentation

CONDITIONS

An eligible capital lease must:

- have a lease term of no longer than 10 years (calculated from the date the lease is entered into);
- finance equipment necessary for a business operating or about to operate in Canada; and
- stipulate a maximum annual imputed interest rate of 13.25 percent (including the 1.25 percent administration fee) plus the applicable Government of Canada marketable bonds average yield.

The applicable Government of Canada bond rate will vary depending on the term of the capital lease (less than 3 years, from 3 to 5 years, or more than 5 years). Interest rates on Government of Canada marketable bonds are published by the Bank of Canada (<http://www.bankofcanada.ca/bonds.htm>).

REVISION OF PAYMENT TERMS

The lessor and the lessee may at any time agree to revise the payment terms of a capital lease. (See page 18 to make sure the lease remains eligible under the Regulations.)

If a lessor and lessee agree to extend the payment term beyond the 10-year maximum, the lessor must **first** obtain approval from the Minister in order to maintain eligibility under the pilot project. Before the 10-year term is up, the lessor must advise the Administration in writing at the address at the back of this booklet.

CHARGES

Only the following may be charged to the lessee:

- the scheduled payments;
- the 2 percent registration fee;
- * a charge for registering the security interest or publishing the rights of the lessor in the leased equipment;
- * premiums for life and/or disability insurance providing a benefit payable to the lessor, if the lessor pays the premium under the capital lease;
- * any charge incurred by the lessor if a payment by the lessee was returned by a financial institution because there were insufficient funds to honour the cheque;
- * any cost related to the inspection of the equipment, if stipulated in the capital lease;
- * any fees for changes to the capital lease requested by the lessee and agreed to by the lessor;
- * any protective disbursement made by the lessor to preserve collateral in the event of default, plus related expenses incurred by the lessor;
- * any fees or charges related to transactions and services intended to ensure that the equipment is kept in good condition, if stipulated in the capital lease;
- * any premiums for equipment liability, physical damage and replacement insurance, if stipulated in the capital lease; or
- the 1.25 percent administration fee through the imposition of an annual imputed rate of interest.

Note: An asterisk indicates a fee or charge that can be required by the lessor but cannot be included as part of the government's guarantee on the loss.

Terms and documentation pre-registration checklist

✓	10-year term	The capital lease has a term of 10 years, beginning on the date the original capital lease is entered into.
✓	Maximum rate	The annual imputed interest rate used to calculate the scheduled payments will not exceed 13.25 percent (including the 1.25 percent annual administration fee) plus the Government of Canada bond rate.
✓	Maximum cost	The cost of any individual equipment cannot exceed \$250 000.
✓	Forms of security	Security interest in the equipment, plus (if applicable) additional security in assets, has been executed and registered. Where applicable, make a valid publication of rights in the Register of Personal and Movable Real Rights. Personal guarantees do not exceed 25 percent of the total financing amount of the capital lease. Added to this would be interest on any judgment against the equipment, taxed costs for legal proceedings, legal fees and disbursements, and other costs incurred by the lessor for legal proceedings.
✓	Registration fees	The 2 percent registration fee has been collected (or financed) and remitted to the Small Business Loans Administration at the time the lease was submitted for registration.
✓	Other fees	Fees charged to the lessee are listed on page 14. No other fees have been charged.
✓	Documentation	<p>The lessor and the lessee have signed the capital lease agreement, and duly completed the registration form.</p> <p>The lessor will also provide the Administration with a document disclosing the annual imputed interest rate used in the calculation of the lease payments, along with a detailed calculation of the lease payments. In the case of used equipment, the lessor has determined and documented the fair market value of the used equipment financed.</p>

REGISTERING A LEASE

A capital lease must be submitted for registration to the Administration within four months from the day on which the lease was entered into. The submission period will be extended by an additional two months if it is determined that the lessor's failure to comply with the prescribed delay was inadvertent.

The lessee and the lessor must sign a registration form containing the following:

- the name, address and telephone number of the lessor;
- the transit number or lessor number designated by the Administration;
- the name, address and telephone number of the lessee;
- the date of the capital lease agreement;
- charges and insurance premium, if any;
- a disclosure of:
 - the cost of the equipment (new and used);
 - the registration fee;
 - whether the registration fee was financed;
 - the residual value or bargain purchase option; and
 - the amount of the capital lease;
- acknowledgment that only authorized fees have been charged;
- a list of the charges that the lessee has been or may be required to pay;
- the lessee's consent to an audit of the capital lease file;
- acknowledgment by the lessee and the lessor that the aggregate outstanding balance of all capital leases made under the Regulations and of all loans made under the CSBFA and the SBLA, by the lessee and related small businesses, does not exceed \$250 000; and
- acknowledgment by the lessor of compliance with the due diligence requirements.

The lessor must also complete a document disclosing the imputed interest rate used in the calculation of the lease payments, along with a detailed calculation of the scheduled lease payments.

REGISTRATION DEADLINE

The postmark will determine the date on which the capital lease was submitted for registration.

Failure to comply with registration requirements will lead to registration refusal. The Minister is not liable for future loss if the lessor has not met the registration requirements.

Payment of fees

REGISTRATION FEE

The 2 percent registration fee on the cost of the equipment must be paid by the lessor to the Administration at the time of registration. The fee must accompany the registration form.

ADMINISTRATION FEE

The 1.25 percent administration fee is calculated at the end of each month on the net present value of all future payments plus any overdue payments. It is payable quarterly within two months after the end of each quarter (i.e. August 31, November 30, February 28 and May 31).

Changes to capital leases

Under the Capital Leasing Pilot Project, lessors and lessees have the flexibility they need to respond to changing circumstances over the term of the capital lease.

IMPROVEMENTS

The lessee and the lessor may at any time agree to improve the equipment. The annual imputed rate of interest used in the calculation of the scheduled payments must not, however, exceed the maximum rate provided for in the original capital lease.

The lessor must notify the Administration within three months, supplying the following information:

- detailed costs of the improvement;
- the amount of the additional financed costs;
- a detailed calculation of the revised payments; and
- the new outstanding balance of the capital lease.

The lessor must also pay an additional registration fee based on the additional cost financed.

Improvements do **not** include the replacement of the original equipment in its entirety (e.g. trade-ups).

Other changes need not be communicated to the Administration provided that the changes and the reasons for them are documented in the lease file.

In all cases, special care must be taken:

- to avoid exceeding the maximum annual imputed rate of interest provided for in the original capital lease;
- to avoid extending the term beyond 10 years (should an extension be required, the lessor must seek prior approval from the Minister);
- to ensure that security remains adequate and eligible; and
- to avoid releasing guarantees unless the capital lease is in good standing and the lessee has paid at least 50 percent of the total financing amount.

In the event of failure to comply with these conditions, the Minister may cease to be liable for a loss on the lease.

Checklist for improvements and other changes to capital leases

✓	10-year term	For any change that extends the term of the capital lease beyond 10 years, prior approval must be obtained from the Administration.
✓	Releasing security	The lessor may release additional security if the lease is in good standing.
✓	Releasing a guarantee	The lessor may release a personal or a corporate guarantee if: <ul style="list-style-type: none"> • the capital lease is in good standing; and • 50 percent of the total financing amount of the capital lease has been paid.
✓	Guarantee substitution	A lessor may replace a guarantee with: <ul style="list-style-type: none"> • security in any other asset of the business; or • another guarantee, on the condition that the value of the replacement guarantee is greater than or equal to the value of the original guarantee.
✓	Annual imputed rate of interest	In the case of an improvement, the annual imputed interest rate used to calculate the revised payments must be the same as the annual imputed rate of interest provided for in the original capital lease.
✓	Registration fee	A 2 percent registration fee on the additional amount financed must be remitted to the Minister within 3 months.

Reminder: When substituting guarantees, lessors should make sure that personal guarantees:

- *remain unsecured; and*
- *do not exceed 25 percent of the total financing amount of the capital lease, plus the interest on any judgment against the guarantor, as well as taxed costs for legal proceedings, and legal fees and disbursements.*

CLAIM FOR LOSS

Under the Capital Leasing Pilot Project, the government and lessors share the risks in extending credit. The claims procedure is not covered in detail in this learning guide.

Consult the *Capital Leasing Pilot Project Guidelines* for complete details on preparing and submitting claims, and a claim form.

A claim for loss can be made in the event of the following:

- the lessee has defaulted;
- the lessor has sent a notice of default and demand for payment;
- the time specified in the notice of default has expired; and
- the lessor has realized on the equipment, other assets and guarantees taken to secure the lease, and any insurance policy, if applicable.

There are two types of claims for loss:

- **Final claim for loss:** The lessor has fully realized on all security, insurance policies, guarantees, and the personal liability of the sole proprietor or partners.
- **Interim claim for loss:** The lessor has fully realized on all security and any insurance policy, but has not fully realized on guarantees or personal liability of sole proprietors or partners, or has not fully implemented a compromise agreement with the guarantor or proprietor.

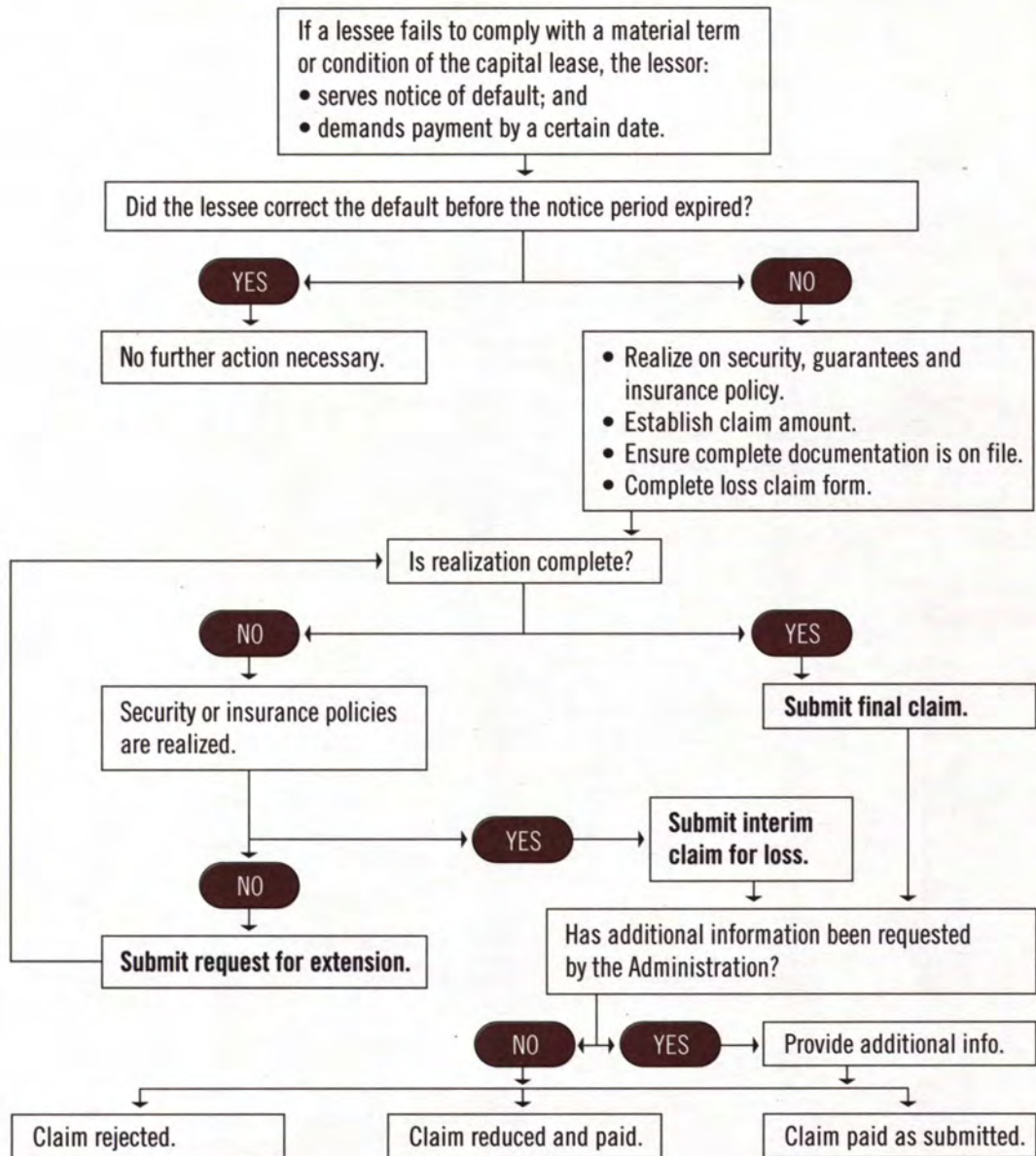
A claim for loss, or a request for an extension to the loss submission deadline, must be submitted to the Administration (see address at the back of this booklet) within 36 months of expiration of the period specified in the notice of default.

Documentation

With any claim for loss, the lessor must submit copies of the following:

- the capital lease and other documentation substantiating the total financing amount of the capital lease;
- the documentation used to ascertain the economic life and the fair market value of the used equipment;
- a statement of account with respect to the capital lease;
- documents pertaining to the realization of assets, insurance policies and guarantees; and
- the capital lease approval and administration file, if requested.

Typical claim for loss procedure



Claim reduction and refusal

Where a lessor has not met the requirements of the *Canada Small Business Financing Act* and the Regulations, the Administration will reduce or refuse the claim.

Following are potential causes of claim reduction or refusal:

- **Non-correctable defects** make the lease ineligible for any claim.
- **Correctable errors** may be rectified to retain pilot project eligibility. To detect these errors, lessors should review each capital lease file within a year of registration.
- **Claim errors** delay payments while claims are being processed. During the delay, lessors do not have the funds being claimed; they continue to pay the 1.25 percent administration fee; and they risk the expiry of the interest reimbursement period.

Many claims are reduced or refused because of fundamental mistakes made before the capital lease went into default. To lessen the likelihood that a claim will be reduced or refused, refer to the list on page 23 when:

- considering a new capital lease;
- making changes to an outstanding capital lease; or
- adding improvements to equipment subject to a capital lease.

Suggested remedies for defects/errors causing claim reduction or refusal

CAUSES	SUGGESTED REMEDIES
<p>Non-correctable defects</p> <p>Ineligible lessee</p> <p>Lessee has revenues higher than \$5 million</p> <p>Ineligible purpose (equipment not used in Canada, or not for business use)</p> <p>Total SBLA/CSBFA loans and CSBFA leases exceed the \$250 000 maximum</p> <p>Equipment is subject to conditional sale</p> <p>Cost of the equipment exceeds \$250 000</p>	<p>De-register and manage as a non-CSBFA lease</p>
<p>Claim not submitted in time frame</p>	<p>No remedy</p>
<p>Correctable errors</p> <p>Capital lease exceeds eligible cost of the equipment</p> <p>Personal guarantees exceed maximum allowed</p> <p>Ineligible fees charged</p> <p>Security not taken or defective</p> <p>Lease term exceeds 10 years</p> <p>Imputed interest rate exceeds maximum</p>	<p>Correct defects</p>
<p>Claim errors</p> <p>Security not accounted for</p>	<p>Ensure all assets held as security and all guarantees are accounted for in the realization documentation</p>
<p>Sharing of realization proceeds</p>	<p>Refer to Guidelines</p>
<p>Realization costs claimed twice</p>	<p>Calculation error: Costs deducted from the realization proceeds cannot be added to the amount claimed</p>
<p>Ineligible or unsupported realization costs</p>	<p>Refer to Guidelines</p>
<p>Claim for loss documentation incomplete</p>	<p>Review documentation before submitting the claim</p>

Send all forms, correspondence and inquiries regarding
the Capital Leasing Pilot Project to:

Capital Leasing Pilot Project
Small Business Loans Administration
Industry Canada
235 Queen Street
Ottawa ON K1A 0H5

For project information and forms, contact:

Tel.: (613) 954-5540

Fax: (613) 952-0290

E-mail: csbfa-lfpec@ic.gc.ca

Web site: <http://strategis.gc.ca/csbfa>



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CAPITAL LEASING PILOT PROJECT GUIDELINES

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INTRODUCTION

Canada Small Business Financing Act **Capital Leasing Pilot Project Guidelines**

As a result of the 1998 review, the *Canada Small Business Financing Act* (CSBFA) provided authority to make regulations for the establishment and operation of a 5-year pilot project to test the extension of the CSBFA guarantee to capital leasing. The *Canada Small Business Financing (Establishment and Operation of Capital Leasing Pilot Project) Regulations* (hereinafter “the Regulations”) expand on the Small Business Loans Program, introduced in 1961 by the *Small Business Loans Act* (SBLA). The Program has continued under the CSBFA with a new name — the Canada Small Business Financing Program — but has the same main objective: to increase the availability of financing for the purpose of the establishment, expansion, modernization and improvement of small businesses. Extension of the CSBFA to capital leasing will give small businesses a significant new option for having their financing needs guaranteed under the CSBFA. The pilot project will be evaluated after the 5-year period to determine whether to permanently include capital leasing under the CSBFA.

The Capital Leasing Pilot Project has two basic objectives, similar to those of the core lending program: cost recovery and incrementality. Operating on a cost recovery basis means that revenues collected from user fees (the 2 percent registration fee and the 1.25 percent administration fee) should cover the net claims costs paid over the life of the leases registered during the 5-year period. Since the maximum term of a lease can be 10 years, the government will continue to pay losses on defaulted capital leases well after the end of the 5-year registration period of the pilot project. Incrementality refers to whether capital leases registered under the pilot project would not otherwise have been financed by a conventional capital lease.

The purpose of these Guidelines is to provide clarity in interpreting the provisions of the Regulations. Lessors should always refer to the Regulations as they constitute the legal authority for the Program. The term “capital lease” used in the Guidelines refers to a capital lease under the Regulations.

Under the Regulations, the Minister is liable to pay a specified percentage (85 percent) of the eligible loss sustained by a lessor as a result of making a capital lease to an eligible small business, provided that the requirements of the Regulations have been met.

The Regulations state the procedures and conditions for entering into capital leases, securing the government’s agreement to share the losses, and maintaining that agreement for capital leases entered into on or after April 1, 2002.

The Guidelines consist of three sections:

- Section A outlines the eligibility criteria and procedures when entering into a capital lease.
- Section B explains the procedures for registering, administering and reporting a capital lease.
- Section C details the procedures on default of a capital lease and submission of a claim.

Lessors are expected to make and administer capital leases under the Regulations with the same due diligence and care applied in the conduct of their ordinary business. Administration of the Program can be incorporated into the lessors’ normal daily course of business.

Where lessors consider that a given situation is not explicitly covered by the Regulations or the Guidelines, they should seek clarification and

direction from their head, regional or central office. Where appropriate, at the written request of the lessor, an interpretation may be obtained from the Small Business Loans Administration (hereinafter "the Administration").

Lessors are advised to keep the Guidelines and periodic updates to them for reference.

All correspondence concerning capital leases under the Capital Leasing Pilot Project Regulations should be forwarded to:

Capital Leasing Pilot Project
Small Business Loans Administration
Industry Canada
235 Queen Street
Ottawa ON K1A 0H5

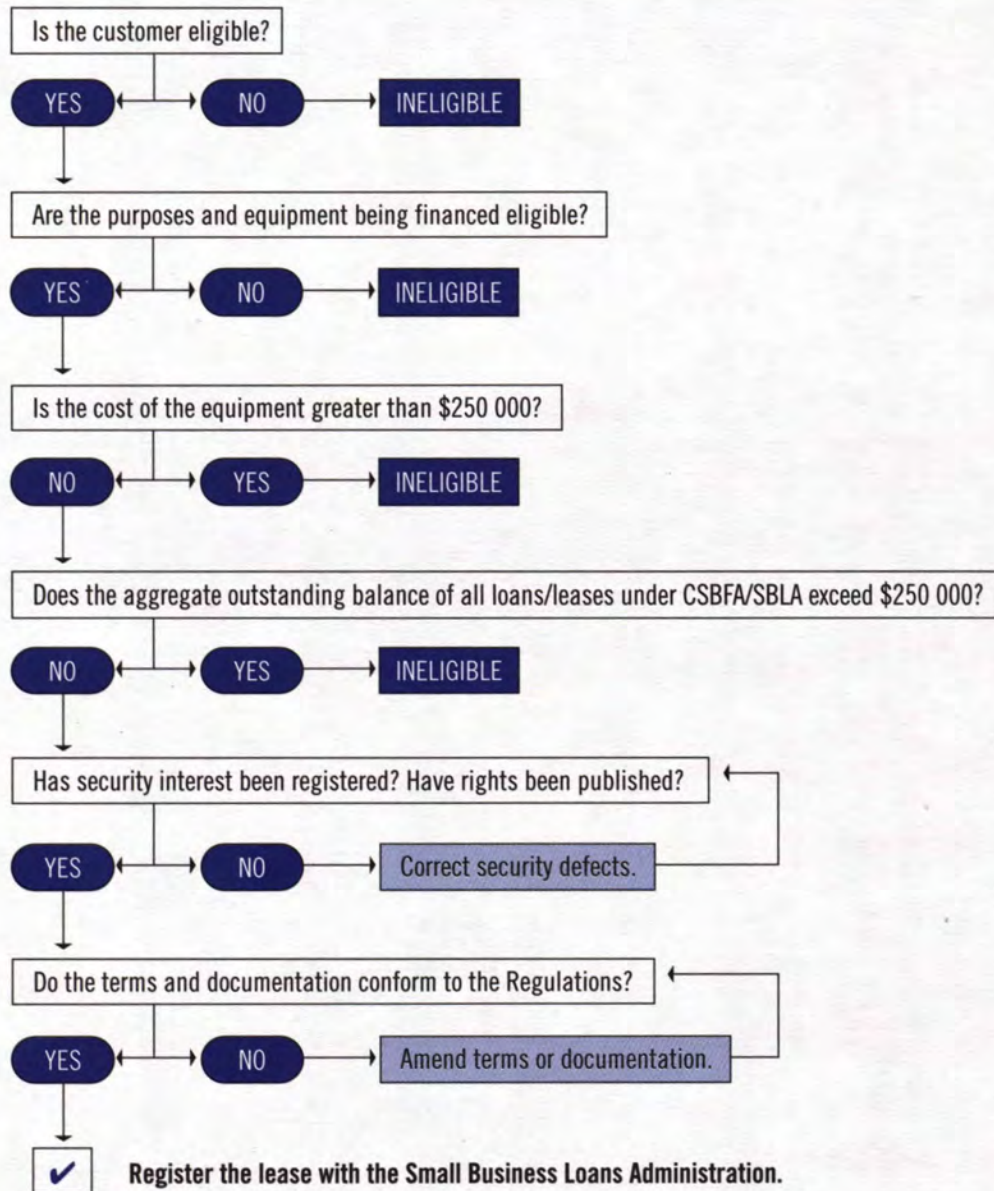
Tel.: (613) 954-5540
Fax: (613) 952-0290
E-mail: csbfa-lfpec@ic.gc.ca

KEY PARAMETERS OF THE CAPITAL LEASING PILOT PROJECT

<i>Parameter</i>	<i>Definition</i>
Eligibility criteria for small business	For-profit enterprises carried on or about to be carried on in Canada, with annual gross revenues of \$5 000 000 or less. Excluded are agricultural businesses and charitable or religious organizations.
Lessor	A lessor must be: <ol style="list-style-type: none"> a) a member of the Canadian Payments Association (CPA); b) a local co-operative credit society that is a member of the CPA; c) a leasing company or a lease funder carrying on business in Canada with a place of business in Canada that: <ol style="list-style-type: none"> i) maintains a rating of BBB or better issued by a Canadian bond rating agency; or ii) participates in a securitization program approved by a Canadian bond rating agency; or d) any organization designated by the Minister as a lessor for the purposes of the Regulations (as per the Lessor Designation Policy).
Eligibility of capital leases	Capital leases may finance: <ol style="list-style-type: none"> a) new equipment; or b) used equipment that has a remaining economic life greater than the term of the lease. <p>On the registration form, the lessor is required to certify the fair market value of any used equipment.</p>
Maximum amount	A maximum of \$250 000 applies to: <ul style="list-style-type: none"> • cost of the equipment; • total financing amount of the capital lease; and • aggregate outstanding balance (including all outstanding SBLA/CSBFA loans and capital leases).
Financing rate	100 percent of cost of equipment, defined as the purchase price of equipment plus additional costs necessary for its operation, excluding maintenance and training costs.
Lease terms	Maximum 10 years
Cap on claims	<ul style="list-style-type: none"> • 90 percent of first \$250 000 • 50 percent of next \$250 000 • 10 percent of amounts over \$500 000 • 10 percent of total financing amount of the capital leases acquired as a result of lease funding under section 36
Loss-sharing ratio	<ul style="list-style-type: none"> • 85 percent government • 15 percent lender
Registration fee	2 percent applied to the cost of equipment financed

<i>Parameter</i>	<i>Definition</i>
Administration fee	<p>1.25 percent applied on the end-of-month outstanding balance* of the capital lease. The fee is paid quarterly.</p> <p>* The discount rate used in calculating the outstanding balance is the annual imputed rate of interest used in calculating the scheduled payments.</p>
Maximum imputed rate of interest	Government of Canada bond rate plus 13.25 percent (including the 1.25 percent annual administration fee)
Due diligence	<p>Lessors must apply the same due diligence procedures for a CSBFA capital lease as those that would be applied for a conventional capital lease in the same amount, including:</p> <ul style="list-style-type: none"> a) obtaining credit references or conducting a credit check on the lessee; b) completing an assessment of the repayment ability of the lessee; c) providing for a term similar to the term of a capital lease of equal value that is not subject to the Regulations; and d) in the case of used equipment, substantiating the fair market value and economic life of the equipment leased. <p>Lessors will be required to provide evidence of normal due diligence practices before capital leases under the pilot project can be registered.</p>
Security	First-ranking security in the asset is not required given that the lessor retains ownership of the equipment financed. However, the lessor must register its security interest in the leased equipment within the time and in accordance with the form prescribed under the applicable provincial law.
Personal guarantee	Maximum of 25 percent of the total financing amount of the loan
Lease funding	<p>If a capital lease is transferred to another lessor (lease funder) for the purpose of lease funding, the government guarantee is maintained with the transferee provided that the Minister's liability in relation to the remaining capital leases of the transferor does not, as a result of the transfer, exceed the amount already paid by the Minister to the transferor.</p> <p>The transferor and the transferee must notify the Minister of the transfer, and include in the form the registration number of the capital lease transferred.</p> <p>The Minister determines whether all the conditions have been met, and notifies both the transferor and the transferee of the determination.</p> <p>The Minister's liability in relation to the payment of a claim to a transferee is calculated at a rate of 10 percent of the aggregate total financing amount of all capital leases transferred as a result of lease funding.</p>
Audit and examination	The Minister has the authority to conduct an audit or examination of the lessor's documents, records and books of account to verify that the Regulations are being complied with in respect of a lease.
Offence and penalty	Offence and penalty provisions may be enacted only by statute. Section 16 of the Act deals strictly with fraud in respect of loans and borrowers, and is silent on capital leases; accordingly, for the 5-year period of the pilot project, the Criminal Code will be used for any offence of fraud under the pilot project. After that period, section 13 of the CSBFA provides for the determination of future legislative and regulatory measures required to include capital leases permanently in the CSBFA.

ENTERING INTO A CSBFA CAPITAL LEASE: AN OVERVIEW



SECTION A

ELIGIBILITY CRITERIA AND PROCEDURES UNDER THE CAPITAL LEASING PILOT PROJECT

This section outlines the requirements for eligibility and the procedures that lessors are to follow in entering into capital leases to be registered under the pilot project. Lessors are required to enter into such capital leases with the same care and due diligence they apply in the conduct of their ordinary business.

1 BUSINESS ELIGIBILITY

section 1(1)

1.1 Eligible small business

- business carried on in Canada;
- its purpose is for gain or profit; and
- **for an existing business**, the estimated annual gross revenues generated from all operations must not exceed \$5 000 000 for the business's fiscal year during which the capital lease is approved; or
- **for a new business**, the estimated annual gross revenues generated from all operations must not be expected, at the time the capital lease is approved, to exceed \$5 000 000 during the first 52 weeks of operation.

section 1(1)

1.2 Ineligible small business

- "farming" as defined in the Standard Industrial Classification of Statistics Canada, Major Group 01 (Agricultural Industries);
- a charitable or religious organization; or
- any business not operating for gain or profit (e.g. a private club).

A lessee can be operating a number of businesses. For example, a lessee whose main activity is farming could have a snow removal business. The snow removal small business would be eligible for a capital lease to purchase equipment necessary for its operation.

2 RELATED LESSEE/BORROWER AND INDEPENDENT SMALL BUSINESS

The Administration considers that "persons" are related when two or more small businesses are operating as different "persons" but their operational structure (e.g. revenues, services) is linked in such a way that they are one small business for all intents and purposes.

Note: If a lessor is faced with the possibility that two or more lessees/borrowers are related, the independent small business test (see Item 2.1, following) might be useful. If the lessor requires clarification it should contact its head, regional or central office.

section 1(5)

2.1 Independent small business

For the purposes of the Regulations, two or more lessees/borrowers operating small businesses at different premises, with each deriving no more than 25 percent of its actual or projected gross revenues from the other lessee(s)/borrower(s), are considered independent small businesses and not related lessees/borrowers. **Each lessee is then eligible for the maximum capital lease amount of \$250 000.** (See Item 5, following, for the calculation of the maximum capital lease amount.)

section 1(3)(4)

2.2 Related lessee/borrower

For two or more lessees/borrowers to be related, there must be an element of control linking them, either singly (e.g. a sole proprietor or partner) or through a related group (e.g. a corporation or partnership). A lessee/borrower is deemed to be related where:

- a person controls or is controlled by the lessee/borrower;
- a person controls both the lessee/borrower and a corporation;
- a person is or will be in partnership with the lessee; or
- there is an agreement between a person and a lessee to share administration services, management services, facilities, overhead expenses, employees or premises.

(See Annex)

Control means the holding of shares of a corporation, to which are attached more than 50 percent of the votes necessary to elect a majority of its directors.

3 CAPITAL LEASE DEFINITION

The purpose of the capital lease under the Regulations is to provide new or used equipment necessary for the operation of the lessee's small business. For used equipment, the economic life must be greater than the lease term.

A lease or leasing under which a lessor provides equipment to a lessee for payment, meeting one of the following conditions:

- a) the lease or leasing includes a bargain purchase option or provides for a transfer of ownership of the leased equipment to the lessee at the end of its term;
- b) the term of the lease or leasing is greater than 75 percent of the economic life of the equipment; and
- c) the net present value of the scheduled payments made under the lease or leasing, calculated using a discount rate equal to the annual imputed rate of interest used to determine the scheduled capital lease payments, is 90 percent or more of the cost of the equipment on the day the lease or leasing is entered into (i.e. the day on which it is signed by lessee and lessor).

(Sources: Canadian Institute of Chartered Accountants Handbook)

The pilot project **does not permit** capital leases where:

- the cost of the equipment exceeds \$250 000;
- the financed cost of the equipment is greater than 100 percent of the cost of the equipment; or
- the financing is for:
 - real property or immovables;
 - equipment that is the subject of a conditional sale; or
 - equipment that is the subject of a sale-and-leaseback.

Note: The term "real property" is used in the context of the common law, while the term "immovables" is used in the context of the Civil Code of Quebec.

4 DUE DILIGENCE

Lessors are expected to apply the same care and procedures for a capital lease as they would for capital leases of similar amounts that are not subject to the Regulations. Such procedures would include but are not limited to:

- conducting a credit check on the lessee;
- obtaining credit references;
- completing an assessment of the repayment ability of the lessee; and
- if used equipment is leased, determining in writing the fair market value and the economic life of the equipment on the date the capital lease is entered into.

In addition, due diligence must continue throughout the administration and collection of the security and guarantee(s). Special care should be used when releasing or substituting assets taken as security, guarantees or suretyships. Lessors are reminded of their responsibilities to minimize the loss.

Note: Lessors must document and maintain on file written evidence of capital lease procedures; this will be required in the event of an on-site audit or review of a claim for loss. Before participating in the pilot project, the lessor must submit procedures to the Administration. The procedures will be kept confidential.

5 MAXIMUM CAPITAL LEASE/LOAN AMOUNT

The aggregate outstanding balance in respect of a lessee that is a party to the capital lease, or a related lessee or borrower, should not exceed \$250 000. The amount is calculated as of the day the capital lease is entered into (the date on which the lease is signed by the lessee and the lessor). It includes the outstanding balances of all capital leases made under the Regulations, and of all loans made under the CSBFA and the SBLA.

Note: In situations where the lessee makes an application for a capital lease under the Regulations or for a loan under the Act, the Administration may provide to the lessor or lender to which the application was made information concerning the lessee's/ borrower's outstanding capital leases or loans registered under the Regulations, the CSBFA or the SBLA.

Only the portion of a capital lease registered under the Program will be included in the outstanding balance.

section 1(1)

6 ELIGIBLE AMOUNT OF THE CAPITAL LEASE

In determining the amount of the capital lease, a lessor should ensure that all the following elements have been considered.

6.1 Eligible costs of equipment

In addition to the purchase price of the equipment, the following costs may be included in the eligible cost of the equipment, up to a maximum of \$250 000:

- **Software** related to the operation of the equipment financed by a capital lease is eligible. The cost of software needed to operate the lessee's business is not eligible.
- **Non-refundable taxes:** It is the lessor's responsibility to inform itself of the non-refundable nature of taxes (GST, PST or other) or customs duties that apply to equipment financed.
- **Other costs** that are necessary for the equipment to become operational (including shipping, installation and testing, and a demonstration of how to use the equipment when it is installed) are eligible costs and may be included in the total financing amount.
- **Registration fee**, if financed (2 percent).
- **Trade-in:** Lessors may take the gross cost of the equipment to calculate the eligible cost of the equipment, ensuring that the original cost does not exceed \$250 000.

Costs included in the eligible cost must be supported by invoices, purchase agreements, etc. In the event that a claim for loss is submitted, copies of these and the following proofs of payment will be required:

- **Cancelled cheque:** A cancelled cheque payable to the supplier and accompanied by the invoice is the preferred proof of payment. Debit or credit card receipts are also acceptable.
- **Cash payment:** A supplier's invoice stamped "paid in cash" can be accepted for an amount under \$500. The lessor must ensure that the stamp was affixed by the supplier, not the lessee.
- **Sales contract:** Formal executed purchase and sales contracts may make reference to the purchase price to be paid as well as the act itself of payment (e.g. "receipt whereof is hereby acknowledged"). A receipt or an attestation by the supplier to the effect that the invoice has been paid is acceptable.

section 1(1)

6.2 Non-eligible costs

- **Software** related to the operation of the small business is not eligible. (Software related to the operation of the equipment is eligible.)
- The **labour cost** of the lessee's small business, including employees, shareholders and directors of a corporation, is not eligible.
- **Maintenance and training** costs are not eligible under the pilot project. However, a demonstration on how to use the equipment when it is installed is eligible and may be included in the total financing amount.

6.3 Financing used equipment

When used equipment is financed, the lessor must substantiate in writing the fair market value and the remaining economic life of the equipment on the day on which the capital lease is entered into. The eligible cost cannot exceed the lesser of the equipment's purchase price or its fair market value on the date the capital lease is entered into. In addition, the remaining economic life of the used equipment must be greater than the lease term.

Note: In substantiating the fair market value of the used equipment, the lessor must apply the same due diligence criteria and business procedures as it does for leases not registered under the pilot project for similar amounts and types of equipment.

section 14(1)

6.4 Financing the 2 percent registration fee

The lessor may include the registration fee of 2 percent of the financed cost of the equipment (see Section B, Item 2) in the total financing amount of the capital lease. Note, however, that the total financing amount of the capital lease may not exceed \$250 000, **including** the registration fee.

7 PAYMENT TERMS, IMPUTED RATE OF INTEREST, AND OTHER FEES AND CHARGES

7.1 Payment terms required in a capital lease agreement to qualify under the pilot project

section 5

- **Maximum term:** The capital lease must be paid in full within 10 years from the date the capital lease was entered into. In the case of used equipment, the lease term must be shorter than the remaining economic life of the equipment, as substantiated in writing by the lessor.
- **Payments** on the capital lease must be scheduled in the same manner as for a capital lease not registered under the Regulations.

section 20

- **Essential provisions:** The cost of the equipment, the total financing amount, the payment terms, the frequency of the scheduled payments, the term of the lease and the date on which the capital lease was entered into must be included in the capital lease agreement. The capital lease may also set out either the bargain purchase option price or the residual value of the equipment, whichever is applicable.

Note: When improvements to the original capital lease are financed, it remains a condition that the term of the capital lease be paid in full within 10 years from the original date the capital lease was entered into (i.e. the day on which it was signed by the lessee and the lessor).

section 1(1)
section 15

7.2 Annual imputed rate of interest

The imputed rate of interest used to calculate the scheduled payments cannot exceed 13.25 percent plus the rate of interest of Government of Canada bonds published by the Bank of Canada on the last Wednesday of the month before the day on which the capital lease is entered into.

The rate of interest on Government of Canada bonds is determined as follows:

- a) for a capital lease with a term of less than 3 years, by the 1- to 3-year Government of Canada marketable bonds average yield;
- b) for a capital lease with a term of 3 to 5 years, by the 3- to 5-year Government of Canada marketable bonds average yield; or
- c) for a capital lease with a term of over 5 but not exceeding 10 years, by the 5- to 10-year Government of Canada marketable bonds average yield.

The interest rates for Government of Canada marketable bonds are published by the Bank of Canada at: <http://www.bankofcanada.ca/en/bonds.htm>

Notes:

- 1) The 13.25 percent referred to above includes the 1.25 percent administration fee (see Section B, Item 2.2).
 - 2) The interest rate applied is a simple annual rate that is not compounded.
-

7.3 Other fees and charges

The lessor cannot require from the lessee a fee, service charge, or charge of any kind other than:

- the scheduled payments;
- the 2 percent registration fee;
- * a charge for registering the security interest or publishing the rights of the lessor in the leased equipment;
- * premiums for life and/or disability insurance providing a benefit payable to the lessor, if the lessor pays the premium under the capital lease;
- * any charge incurred by the lessor if a payment by the lessee was returned by a financial institution because there were insufficient funds to honour the cheque;
- * any cost related to the inspection of the equipment, if stipulated in the capital lease;
- * any fees for changes to the capital lease requested by the lessee and agreed to by the lessor;
- * any protective disbursement made by the lessor to preserve collateral in the event of default, plus related expenses incurred by the lessor;
- * any fees or charges related to transactions and services intended to ensure that the equipment is kept in good condition, if stipulated in the capital lease;
- * any premiums for equipment liability, physical damage and replacement insurance, if stipulated in the capital lease; or
- the 1.25 percent administration fee through the imposition of an annual imputed rate of interest.

Note: An asterisk indicates a fee or charge that can be required by the lessor but cannot be included as part of the Government's guarantee on the loss.

8 SECURITY

Security for capital leases is divided into three categories:

- mandatory security;
- additional security; and
- guarantees and suretyships.

Note: The term “guarantee” is used in the context of the common law, while the term “suretyship” is used in the context of the Civil Code of Quebec.

section 23

8.1 Mandatory security

The following security is mandatory:

When entering into or amending a capital lease, the lessor **must** register a security interest in the leased equipment, within the time and in accordance with the form prescribed under applicable provincial law. Where applicable, the lessor must make a valid publication of its rights in the Registry Office in order to assert its rights against any third parties.

section 24

8.2 Additional security

A lessor may take additional security in other assets of the lessee’s small business.

Note: Where there is more than one small business within the legal entity, only the assets of the small business that has entered into the capital lease may be taken as security.

section 26

8.3 Personal guarantees and suretyships

The lessor may also take one or more **unsecured** personal guarantees or suretyships for an amount that in aggregate does not exceed 25 percent of the total financing amount of the capital lease. Interest on any judgment against the guarantor, taxed costs for or incidental to the legal proceedings against the guarantor, and legal fees and disbursements may also be collected from the guarantor in addition to the 25 percent maximum.

Note: If a lessor takes more than one personal guarantee or suretyship, the guarantees or suretyships must state that the aggregate liability of the guarantors will not exceed the 25 percent maximum, plus interest and costs.

section 27

8.4 Corporate guarantees

A lessor may take one or more **secured or unsecured** corporate guarantees or suretyships in an amount not exceeding the total financing amount of the capital lease.

9 CHECKLIST

The following checklist may help assess the eligibility of a capital lease:

Lessee's business is eligible

- The business is for profit and operating in Canada.
- The lessee is eligible.
- The annual gross revenue of the business is not or is not expected to exceed \$5 000 000.

Capital lease is eligible

- The aggregate of the outstanding capital leases and loans made under the SBLA or CSBFA to the lessee and to related lessee(s)/borrower(s) is less than \$250 000.
- The capital lease meets at least one of the following conditions:
 - it includes a bargain purchase option;
 - it provides for the transfer of ownership at the end of the lease term;
 - the lease term is longer than 75 percent of the equipment's economic life; or
 - the net present value of payments is at least 90 percent of the cost of the equipment.
- The financed cost of the equipment does not exceed 100 percent of the eligible cost of the equipment.
- The cost of the equipment does not exceed \$250 000.

Due diligence

- The fair market value of any used equipment has been documented.
- Evidence is on file to support the purchase price of the equipment and of any additional costs financed (e.g. invoices, contracts, purchase and sale agreements).
- Evidence is on file to support the payment of the equipment to the vendor.
- The term of the capital lease does not exceed 10 years.
- Payments are scheduled as they would be for a non-insured capital lease.
- The annual imputed rate of interest does not exceed the rate of interest on Government of Canada bonds plus 13.25 percent.

Maximum amount of the capital lease

- Only software related to the operation of the equipment financed by the capital lease is included.
- Refundable taxes are not included in the amount financed.

Fees and other charges

- No fee or service charge is payable by the lessee other than those specifically permitted.

Security

- Security interest in the capital lease has been registered.
- Unsecured personal guarantees or suretyships, in aggregate, do not exceed the 25 percent maximum.
- Secured and unsecured corporate guarantees do not exceed the total financing amount of the capital lease.

SECTION B

REGISTRATION, ADMINISTRATION AND REPORTING UNDER THE CAPITAL LEASING PILOT PROJECT

This section provides lessors with the procedures involved to register and administer a lease under the Regulations. It also includes the procedures lessors must follow to maintain the eligibility of registered capital leases and outlines reporting requirements.

section 11
section 12

1 CAPITAL LEASE REGISTRATION

If the capital lease is to be registered, the lessor must register it within 4 months from the date it is entered into (date that the capital lease is signed by the lessee and the lessor) and must submit to the Administration the following:

- the Capital Lease Registration form (see Forms Section), signed by a responsible officer of the lessor and by the lessee;
- the Capital Lease Cost form (see Forms Section), signed by the lessor; and
- a cheque for the registration fee payable to the Receiver General for Canada.

Note: A registration fee not included in the registration form will not be included as part of the total financing amount.

section 11(2)

1.1 Late registration

When the lessor inadvertently fails to register the capital lease within 4 months from the date it was entered into, the registration period is extended by another 2 months provided that the lessor furnishes a full explanation for the inadvertence.

Note: It is recommended that a capital lease be registered as soon as it is signed by both the lessee and the lessor.

2 REGISTRATION AND ADMINISTRATION FEE

section 14(1)

2.1 Registration fee

- The registration fee is 2 percent of the financed cost of the equipment. For example, if the cost of the equipment is \$100 000 but only \$70 000 is financed, the 2 percent fee is calculated on the \$70 000, amounting to \$1400.
- A lessor can finance the registration fee (see Section A, Item 6.1).

section 14(2)(8)

2.2 Administration fee

- The administration fee is calculated at the end of each month at the annual rate of 1.25 percent on the net present value of all future payments plus any overdue payments. The fee is remitted quarterly.
- Administration fees must be paid on all capital leases, including those for which an interim claim has been paid (see Section C, Item 6).
- The administration fee can be charged to the lessee only through the annual imputed rate of interest (see Section A, Item 7.2).
- The administration fee is payable by the lessor within 2 months from the end of each quarter.

Note: For an explanation of calculation and reporting of the administration fee, see Item 15 of this section. For an explanation of remedies for inadvertent non-compliance in payment of administration fees, see Section C, Item 4.

section 14(7)

2.3 Refund

Any request for refund of registration and administration fees must be submitted in writing by the lessor (not the lessee) within 1 year from the date on which the capital lease is entered into. The following circumstances must apply:

- The lessor has not provided to the lessee all of the equipment required by the capital lease. If so, refund of the 2 percent fee applies to the portion of the equipment not provided to the lessee under the capital lease. The total financing amount of the capital lease will be reduced accordingly.
- The capital lease is determined to be ineligible by the lessor. If so, the registration and administration fees are fully refundable. A full explanation is required of why the capital lease is ineligible, along with proof that the administration fee was paid. Upon refund, the Administration will delete the capital lease from its records.

3 IMPROVEMENTS TO EQUIPMENT

The lessor and the lessee may at any time agree to improve the original equipment financed by a capital lease registered under the Regulations. Costs necessary to improve that equipment can be financed under certain conditions:

- The total aggregate outstanding balance of the capital leases entered into under the pilot project, and of all loans made under the CSBFA and the SBLA, will not exceed \$250 000 (see Section A, Item 5).
- The capital lease term may not be greater than 10 years from the date on which the original capital lease was entered into.
- The annual imputed rate of interest used in the calculation of the scheduled payments remains the same.
- The lessor notifies the Minister in writing of the improvement within 3 months from the day on which the amendment was made and provides the following information:
 - the detailed cost of the improvement;
 - a detailed calculation of the revised payments;
 - the additional cost of the equipment and the amount financed; and
 - the new outstanding balance of the capital lease.

The notification to the Minister must be accompanied by a registration fee in the amount of 2 percent of the additional costs financed. The lessor must inform the Administration if the additional registration fee is financed.

Note: Only the original equipment can be improved. Improvement does not include replacement of the original equipment in its entirety (e.g. trade-ups). The original equipment cannot be traded or replaced by “improved” equipment. For example, replacing a 3-year-old truck with a new model would not qualify as an improvement. Replacing the engine on the original truck or adding an air conditioning unit would qualify.

4 REVISION OF CAPITAL LEASE TERMS

4.1 Renewal of terms

The lessor and the lessee may agree to renew the term of the capital lease for an additional term or terms, as long as the capital lease is in good standing and the term of the capital lease is within 10 years from the date on which the original capital lease was entered into. The annual imputed rate of interest, as of the date of renewal, must not exceed 13.25 percent plus the rate of interest on Government of Canada bonds on the date of the renewal.

4.2 Revision of payment terms

The lessor and the lessee may agree to revise the payment terms of the capital lease at any time, without notifying the Administration.

However, to extend the term of the capital lease beyond 10 years the lessor must obtain prior approval from the Administration by submitting a written request during the last 2 years of the capital lease. The lessor must provide the grounds for the request and the appropriate supporting documentation. Approval will be given if the extension is likely to decrease the risk of default on the capital lease.

Any such revisions must comply with:

- the maximum term of 10 years; and
- the maximum imputed interest rate.

When renewing or extending the terms of the capital lease, the lessor must continue to apply the same due diligence and business procedures as those that would be applied for a capital lease not subject to the Regulations.

section 16(e)

5 PREPAYMENT

If the lessee requests to make full or partial prepayment of the scheduled payments and the lessor agrees, the lessor may impose a fee in the same amount as the lessor would charge for a conventional capital lease under similar circumstances.

6 SUBSTITUTION AND RELEASE OF ADDITIONAL SECURITY

The lessor may substitute or release any additional security in the assets of the small business if the capital lease is in good standing. When substituting or releasing any additional security, the lessor must continue to apply the same due diligence and business procedures as would be applied for a conventional capital lease.

section 28
section 29

7 SUBSTITUTION AND RELEASE OF GUARANTEES AND SURETYSHIPS

The lessor may release a guarantor or surety only if the capital lease is in good standing and the lessee has paid at least 50 percent of the total financing amount of the capital lease.

With the lessor's consent, a lessee may at any time replace a guarantee or suretyship with security in any assets of the small business or with another guarantee or suretyship. The value of the replacement security, guarantee or suretyship will be equal to or greater than the value of the original guarantee or suretyship. However, in the case of personal guarantees, it must not exceed 25 percent of the original total financing amount of the capital lease plus interest and costs (see Section A, Item 8.3).

8 CHANGE IN NAME OF THE LESSEE

When a lessee changes the name under which it operates but retains the same legal status (e.g. sole proprietorship, partnership of individuals or corporation), it is important that the lessor obtain from the lessee a formal notice and a copy of the pertinent legal documents, such as registration, articles of amendment or incorporation, or letters patent. It is not necessary for the lessor to immediately inform the Administration of the lessee's change of name. However, the change should be reflected in the report on capital leases outstanding at year-end. In the event of a claim for loss, these documents will be required.

Note: A lessee does not change its legal status when there is a change in the shareholders of a corporation. It is therefore not necessary to inform the Administration of such a change.

section 6
section 7
section 8
section 9

9 MINISTER'S LIABILITY

For the 5-year duration of the Capital Leasing Pilot Project, the Minister's liability is calculated as follows:

- In favour of each lessor:
 - a) 90 percent of the first \$250 000 of the total financing amount of capital leases registered in that period;
 - b) 50 percent of an additional \$250 000 of the total financing amount of capital leases registered in that period; and
 - c) 10 percent of the total financing amount of capital leases registered in excess of the \$500 000 indicated in (a) and (b) above.
- In favour of a lease funder: 10 percent of the aggregate of the original total financing amount of all capital leases acquired by the lease funder.

The Minister's liability in favour of a lessor represents the "funds" from which the Administration reimburses the lessor 85 percent of the eligible loss of each capital lease for which a claim is paid.

The Minister's liability to a lessor may be terminated at any time by providing a notice to this effect to the lessor. Note that the Minister's liability for capital leases entered into before the date specified in the notice is not affected by the termination.

10 TRANSFER OF LEASES BETWEEN LESSEES

The purpose of this provision is to facilitate, where appropriate, the sale of a business, allowing the purchaser to assume the outstanding capital lease and the original lessee to be released of its obligation.

When (1) all assets of the small business are sold by a lessee, or (2) there is a change of partners in a partnership, or (3) an outgoing partner is not replaced, the lessor may release the existing lessee or the outgoing partner provided that:

- the lessor, exercising due diligence, approves as the new lessee the purchaser, the new partner or the remaining partners;
- the aggregate outstanding balance of the new lessee, or of the new partner and related lessee(s)/borrower(s), is not greater than \$250 000;
- the lessor validly registers or maintains a security interest, or publishes its rights in the leased equipment;
- the lessor maintains or replaces additional security in the assets of the small business; and
- any existing guarantee or suretyship is maintained or replaced with one of equal or greater value.

Note: The lessor is not obliged to release the original lessee. In exercising due diligence, the lessor may determine that the release of the original lessee would affect the ability of the lessor to collect the amount owed on the capital lease. In such a situation, the original lessee need not be released.

When a capital lease is transferred to a sole proprietor or to a partnership, the lessor must obtain confirmation from the new lessee that it accepts personal responsibility for 25 percent of the original total financing amount of the capital lease.

When a lease is transferred from a sole proprietor or a partnership to a corporation, and when the lessor releases the initial lessee, then the lessor will replace the personal liability of the sole proprietor or partners with a personal guarantee or suretyship (e.g. by the shareholders of the corporation), and the guarantee shall be limited to 25 percent of the original total financing amount of the capital lease plus interest and costs.

11 TRANSFER OF CAPITAL LEASES BETWEEN LESSORS

At the request of the lessee, it is possible to transfer a capital lease from one lessor to another lessor provided that:

- the transferee (acquiring lessor) is a lessor under the Regulations;
- the Minister's liability resulting from the transfer, calculated in favour of the transferor (original lessor), does not exceed the amount already paid by the Minister; and
- the total number of capital leases transferred by the transferor (original lessor) during the duration of the pilot project does not exceed the **greater** of 20 capital leases or 1 percent of the number of capital leases entered into by the transferor (original lessor) during that period.

Note: To avoid a capital lease transfer under which the Minister's liability would not continue, it is strongly recommended that the transferee (acquiring lessor) notify the Minister prior to registering the transfer by submitting to the Administration a Request for Transfer form (see Forms Section), completed and signed by the lessee and both lessors (transferee and transferor). The lessors will then be informed whether the proposed transfer meets the terms and conditions of the Regulations.

When a capital lease is transferred to another lessor at the request of the lessee, the Administration deducts from the transferor (original lessor) the total financing amount of the original capital lease for the purpose of calculating the Minister's liability. This amount is then transferred to the transferee (acquiring lessor) as part of its new portfolio.

Example:

Minister's liability before the transfer:

<i>Lessor A (Transferor)</i>		<i>Lessor B (Transferee)</i>	
15 capital leases entered into by the lessor and registered in its account, with a total financing amount of \$3 250 000		2 capital leases entered into by the lessor and registered in its account, with a total financing amount of \$280 000	
Minister's liability:		Minister's liability:	
90% of	\$250 000 = \$225 000	90% of	\$250 000 = \$225 000
50% of	\$250 000 = \$125 000	50% of	\$30 000 = \$15 000
10% of	\$2 750 000 = \$275 000		
	—————		—————
Totals:	\$3 250 000 \$625 000	Totals:	\$280 000 \$240 000

Lessor A decides to transfer a lease originally valued at \$125 000 to Lessor B.

Minister's liability after the transfer:

<i>Lessor A (Transferor)</i>		<i>Lessor B (Transferee)</i>	
14 capital leases having a total financing amount of \$3 125 000		3 capital leases having a total financing amount of \$405 000	
Minister's liability:		Minister's liability:	
90% of	\$250 000 = \$225 000	90% of	\$250 000 = \$225 000
50% of	\$250 000 = \$125 000	50% of	\$155 000 = \$77 500
10% of	\$2 625 000 = \$262 500		
	—————		—————
Totals:	\$3 125 000 \$612 500	Totals:	\$405 000 \$302 500

Note: In this example, the Minister's liability would not continue for the transferred lease if, prior to the transfer, the total claims paid to the transferor (original lessor) exceeded \$612 500. The Minister's liability in favour of the transferee (acquiring lessor) would not change.

Where the transferee (acquiring lessor) finds it necessary to complete new documentation for the transfer of a capital lease, the lessor may make a new capital lease to finance the equipment. The capital lease must be made with the same payment terms as the original capital lease. The lessor must also maintain the interest and rights of security published as existing on the transferred capital lease at the time of transfer. If the capital lease was secured by a guarantee or suretyship, either personal or corporate, then the transferee (acquiring lessor) should maintain those securities.

It is the responsibility of the transferee (acquiring lessor) to satisfy itself that the transferor (original lessor) has met all of the terms and conditions of the Act and Regulations. Furthermore, the transferee (acquiring lessor) is responsible for payment of the administration fee accrued from the beginning of the quarter in which the transfer is made (see Item 2.2 of this section), and for reporting the outstanding balance of the lease at year-end. In the event that a claim for loss is submitted, non-compliance by the transferor (original lessor) with any program conditions, if not corrected within the stipulated time frame, can constitute reason for the refusal or reduction of the claim for loss. The transferee (acquiring lessor) is required to submit all documentation to substantiate the capital lease in the event that a claim for loss is made.

12 TRANSFER OF CAPITAL LEASES FOR THE PURPOSE OF LEASE FUNDING

A lease funder may acquire a capital lease from a lessor provided that:

- the Minister's liability resulting from the transfer, calculated in favour of the transferor (original lessor), does not exceed the amount already paid by the Minister;
- the transferor (original lessor) and the transferee (lease funder) notify the Minister by submitting to the Administration a completed and signed Request for Transfer form (see Forms Section); and
- the transfer of the capital lease is registered or published in accordance with the applicable provincial law.

Note: To avoid a capital lease transfer under which the Minister's liability would not continue, it is strongly recommended that the Administration be notified in advance of the proposed transfer. The transferor (original lessor) and the transferee (lease funder) will be informed if the proposed transfer meets the terms and conditions of the Regulations.

It is the responsibility of the transferee (lease funder) to satisfy itself that the transferor (original lessor) has met all of the terms and conditions of the Act and Regulations. Any non-compliance with all these terms and conditions, if not corrected within the stipulated time frame, can result in a refusal or reduction of the claim for loss. The lease funder is required to submit all documentation to substantiate the capital lease in the event that a claim for loss is made. The transferee (lease funder) is responsible for payment of the administration fee from the beginning of the quarter in which the transfer is made (see Item 2.2 of this section), and for reporting the outstanding balance of the lease at year-end. In the event that a claim for loss is submitted, non-compliance by the transferor (original lessor) with any program conditions, if not corrected within the stipulated time frame, can constitute reason for the refusal or reduction of the claim for loss. The transferee (acquiring lessor) is required to submit all documentation to substantiate the capital lease in the event that a claim for loss is made.

When a transfer is approved by the Administration, the original total financing amount of the capital lease is deducted from the transferor's account, and the Minister's liability to the transferor is recalculated accordingly. The Minister's liability to the transferee is increased by an amount **equal to 10 percent of the original total financing amount.**

Example:

Minister's liability before the transfer:

<i>Lessor A (Transferor)</i>	<i>Lessor B (Transferee)</i>
Total financing amount of capital leases entered into by the lessor and registered in its account: \$1 000 000	Total financing amount of capital leases entered into by the lessor and registered in its account: \$100 000
Minister's liability:	Minister's liability:
90% of \$250 000 = \$225 000	90% of first \$100 000 = \$90 000
50% of \$250 000 = \$125 000	
10% of \$500 000 = \$50 000	
Total: \$400 000	Total: \$90 000

Original amount of capital leases transferred for the purpose of lease funding totals \$800 000.

Minister's liability after the transfer:

<i>Lessor A (Transferor)</i>	<i>Lessor B (Transferee)</i>
Total financing amount of capital leases entered into by the lessor and registered in its account: \$1 000 000	Total financing amount of capital leases entered into by the lessor and registered in its account: \$100 000
Less capital leases transferred: \$800 000	Minister's liability:
Balance of capital leases entered into and registered by the lessor: \$200 000	90% of \$100 000 = \$90 000
Minister's liability after transfer:	+ 10% of capital leases transferred
90% of \$200 000 = \$180 000	(\$800 000 x 10%) = \$80 000
	Minister's liability after transfer: \$170 000

Note: In this example, the Minister's responsibility would not continue for the transferred leases if, prior to the transfer, the total claims paid to the transferor (original lessor) exceeded \$180 000. The Minister's responsibility in favour of the transferee (acquiring lessor) would not change. Subsequent to the transfer of the capital lease, the acquiring lessor is responsible for administration of the capital lease (i.e. payments of 1.25 percent administration fee and outstanding balance reports).

If the lessors notify the Administration in advance of the proposed transfer, the Administration can inform them of the maximum amount of capital leases that could be transferred without reducing the Minister's liability.

13 AMALGAMATION OF LESSORS

Lessors intending to amalgamate are required to notify the Administration in writing in advance of the date of amalgamation. Upon amalgamation all capital leases made and claims paid to the amalgamating lessors cease to exist, and are considered to have been entered into by the new lessor. More importantly:

- If the amount already paid to the amalgamating lessors is greater than the Minister's liability to the new lessor, the liability of the Minister will be deemed to be equal to the amount already paid.
- The Minister's liability to the new lessor will continue accumulating at the appropriate percentage (either 90 percent, 50 percent or 10 percent) depending on the total amount of capital leases considered to be made by the new lessor (see Item 9 of this section).

Example:

The total amount of capital leases made by Lessor A is \$350 000; the total amount of capital leases made by Lessor B is \$1 650 000.

Minister's liability before the amalgamation:

<i>Lessor A</i>	<i>Lessor B</i>
Total financing amount of capital leases entered into by the lessor and registered in its account: \$350 000	Total financing amount of capital leases entered into by the lessor and registered in its account: \$1 650 000
Minister's liability:	Minister's liability:
90% of \$250 000 = \$225 000	90% of \$250 000 = \$225 000
50% of \$100 000 = \$50 000	50% of \$250 000 = \$125 000
	10% of \$1 150 000 = \$115 000
Total: \$275 000	Total: \$465 000

Upon amalgamation, the total of the capital leases considered to be made by the new lessor will be \$2 000 000 (\$350 000 + \$1 650 000) and the Minister's liability to the new lessor will thereafter continue accumulating at 10 percent.

Minister's liability after the amalgamation:

<i>Lessor AB (new amalgamated entity)</i>			
Total financing amount of capital leases entered into by the amalgamated lessor and registered in its account: \$2 000 000			
Minister's liability:			
90% of	\$250 000 =		\$225 000
50% of	\$250 000 =		\$125 000
10% of	\$1 500 000 =		\$150 000
			<hr/>
Total:			\$500 000

If the Minister is notified after the date on which the amalgamation has taken place (according to the certificate of amalgamation) and claims have been paid after amalgamation but during the period before notification, any claims paid in excess of the Minister's liability, accumulated as of the date of amalgamation, must be reimbursed to the Minister.

Note: In this example, if at the date of amalgamation the claims already paid to the amalgamating lessors exceeded \$500 000, the Minister's liability in favour of the new lessor would be deemed to be equal to the amount already paid.

14 DISCONTINUANCE OF CAPITAL LEASING BUSINESS

The Administration must be notified in writing if a lessor discontinues its commercial capital leasing business and sells all of its outstanding capital leases to another lessor. The capital leases thus acquired will not be included in the calculation of the Minister's liability to the lessor acquiring those capital leases. In effect, each lessor's portfolio will continue to be administered separately. This will also apply when a lessor acquires another lessor.

section 14(3)(4)
(5)(6)

15 REPORTING

The lessor must provide two types of reports:

- an administration fee statement; and
- an annual report on the total amount outstanding on all capital leases.

15.1 Administration fee statement

For capital leases entered into under the Regulations, lessors must remit the administration fee on a quarterly basis. The fiscal year for the pilot project is the same as that of the Government of Canada, i.e., April 1 to March 31.

The administration fee is payable within 2 months after the end of each quarter, as follows:

- the fee for the quarter ending on June 30 is to be remitted by August 31;
- the fee for the quarter ending on September 30 is to be remitted by November 30;
- the fee for the quarter ending on December 31 is to be remitted by February 28; and
- the fee for the quarter ending on March 31 is to be remitted by May 31.

The administration fee is calculated at the end of each month at the annual rate of 1.25 percent on the net present value of all future payments plus any overdue payments, and is remitted quarterly (see Item 2.2 of this section).

Example:

A lessor has a portfolio of capital leases with a net present value of all future payments and any overdue payments valued at \$800 000 on April 30, \$1 100 000 on May 31 and \$1 150 000 on June 30.

The fee the lessor has to pay at the end of the quarter is determined as follows:

	<i>A</i> <i>Net present value</i>	<i>B</i> <i>Administration fee</i> <i>A x (1.25% ÷ 12)</i>
April 30	\$800 000	\$833.33
May 31	\$1 100 000	\$1 145.83
June 30	\$1 150 000	\$1 197.92
Total fee for the quarter:		\$3 177.08

section 40
section 41

With the quarterly payment of the fee, a statement must be submitted substantiating the basis on which the fee was calculated. If a lessor is unable to provide such a statement, the quarterly payment may be made on the basis of an estimate of the amount payable. In this case, a statement substantiating the amount of the administration fee must be provided by the lessor with the final quarterly payment of the year (i.e. by May 31).

Any overpayment must be claimed or deficiency paid by May 31, that is, within 2 months of the end of the fiscal year (March 31).

15.2 Total outstanding balance report of capital leases under the Regulations

Lessors will provide to the Administration a report on each capital lease. The report must include the following information:

- the registration number assigned to the capital lease by the Administration;
- the lessee's name; and
- the outstanding balance of each capital lease as of the previous March 31.

The outstanding balance of the capital lease is defined as the aggregate of:

- the amount of any overdue payments;
- the net present value of all future payments due under the capital lease, discounted at the imputed rate of interest used in the calculation of the scheduled payments; and
- the present value, discounted at the annual imputed rate of interest used in the calculation of the scheduled payments, of the lesser of:
 - the residual value of the equipment set out in the registration form; and
 - the bargain purchase option price of the equipment set out in the capital lease.

The report is due by May 31 of each year.

16 ON-SITE AUDIT OR EXAMINATION

The Regulations permit an on-site audit or examination of a lessor's documents, records and books of account to verify compliance with the Regulations of any capital lease. The Administration must give 21 days' notice in writing prior to any such audit or examination.

Lessors will provide all reasonable assistance as well as the documents, records and books of account, and will cooperate fully in the audit or examination. Should a lessor refuse full cooperation, the Minister will cease to be liable for payment of any loss sustained by that lessor.

Once the report of the audit or examination is completed, a copy is to be provided by the Administration to the lessor within 21 days.

17 ENVIRONMENTAL RISK

If it is suspected that an environmental problem does or may exist during the administration of a capital lease, the lessor is advised to apply the same policies and procedures used in the normal course of business for such cases.

18 OFFENCES

Fraudulent activities in respect of capital leases under the pilot project could be subject to sanctions under the Criminal Code.

SECTION C

PROCEDURE ON DEFAULT OF A CAPITAL LEASE AND SUBMISSION OF A CLAIM

This section deals with default, collection of the security and guarantees, and claim submission. Lessors may submit an interim claim (see Item 6 of this section) prior to full realization of compromise settlements, guarantees or suretyships.

section 42

1 DEFAULT, NOTICE OF DEFAULT AND DEMANDING PAYMENT

A default occurs when the lessee fails to comply with a material condition of the capital lease under the Regulations, including any amendments to it (e.g. revision of payment terms). Such a condition must be material to the capital lease and have an impact on the claim for loss such that it would affect the collection of the capital lease payments.

section 43(1)

1.1 Notice of default

If a default situation is not remedied and the lessor and lessee cannot agree to amend the capital lease agreement to remedy the default, the lessor must send a notice of default and demand that the lessee comply with the conditions specified in the notice within a stipulated period of time.

The 36-month limitation for the submission of a claim commences at the expiration of the period of time specified in the notice of default. If the lessee becomes bankrupt before the lessor issues the notice of default, the 36-month limitation then commences on the date of the bankruptcy. However, if the lessor has given notice of default and the lessee subsequently becomes bankrupt, the time period commences on the earlier of the date of bankruptcy or the date specified in the notice of default.

section 43(2)

1.2 Demanding payment

If the lessee fails to comply with the conditions specified in the notice of default, the lessor will demand payment of the outstanding balance of the capital lease within a specified period of time.

Note: The lessor may use one document to send to the lessee the notice of default and demand for payment of the capital lease.

2 REALIZATION

If the lessee fails to pay the outstanding balance of the capital lease pursuant to the demand for payment, the lessor must take the applicable following measures to minimize the loss:

- collect the outstanding balance of the capital lease;
- seize, take possession of, arrange to sell or lease,¹ or engage a third party to sell the equipment;
- realize on any additional security and guarantees or suretyships;
- realize on any insurance policies;
- fully implement a compromise settlement with the lessee or with a guarantor or surety, or any other person on behalf of the lessee, guarantor or surety;
- take legal action where the cost of the proceedings is estimated to be less than the amount to be recovered; or
- file a writ of execution and execute where appropriate.

Lessors should apply the same policies and procedures used in their normal business practices to minimize any losses. Lessors are required to retain on file all documents substantiating the realization or non-realization of the equipment, additional security, guarantees or suretyships.

If it is suspected that an environmental problem does or may exist, lessors are advised to apply the same policies and procedures used in the normal course of business.

2.1 Assets of the business

As the lessee has an obligation to pay the total financing amount of the capital lease, all assets of the business are subject to realization in the event that a judgment is obtained against the lessee. Where the lessee has business assets over and above the equipment held as security for the capital lease, lessors are expected to follow their normal practices in determining the cost-effectiveness of realizing on those particular assets.

2.2 Guarantees or suretyships (personal or corporate)

The lessor must take reasonable steps to collect from the guarantors or sureties. Such steps may include legal action and/or compromise settlements.

Lessors are reminded that realization of personal guarantees or suretyships is limited to the lesser of:

¹ The disposition of an asset through a lease is limited to capital leases only. An operating lease or a conditional sales agreement will not be considered as a disposition of the asset.

section 43(4)

- the amount of the guarantees or suretyships as signed by the guarantors or sureties; and
- 25 percent of the total financing amount of the capital lease under the Regulations disbursed in cases where the capital lease disbursed is less than the capital lease registered; plus
- interest, taxed costs,² legal fees and disbursements, and other costs.

Lessors are reminded that in taking corporate guarantees or suretyships, they may take one or more **secured or unsecured** corporate guarantees or suretyships in an amount not exceeding the total financing amount of the capital lease.

2.3 Liability of sole proprietors and partners

A lessee operating as a sole proprietor or as a partnership is liable for 100 percent of the payment of the capital lease.

Upon default, the lessor can realize on the personal assets of the sole proprietor or partner up to, in the aggregate, 25 percent of the total financing amount of the capital lease plus: interest, taxed costs, legal fees and disbursements, and other costs. This liability may be collected by a voluntary settlement or by legal procedures.

Note: Assets (other than those of the small business) of a sole proprietor or of a partner can be realized in addition to personal guarantees or suretyships from any other person(s).

2.4 Compromise settlements

In all cases where the lessor is realizing on the guarantees or suretyships or on the personal assets of sole proprietors and partners, compromise settlements can be made, at the discretion of the lessor, based on the financial circumstances of the parties involved. Such settlements can be made before or after a judgment has been obtained. The reasons and basis for any such compromise settlement must be well documented and submitted with the claim for loss.

² Taxed costs refer to any uncollected legal cost approved by judgment.

3 SHARING OF REALIZATION PROCEEDS AND COSTS

The lessor should apply the proceeds and costs to the capital lease under the Regulations where they are clearly identifiable as belonging to the capital lease. Where they are not clearly identifiable, they must be prorated between the respective capital leases, other conventional leases and other amounts owing of the lessor in a manner that is fair and equitable to all parties.

4 NON-COMPLIANCE REMEDIES

If a lessor does not comply with the requirements of the Regulations, the Minister is not liable to pay a claim for loss. In certain specified cases of non-compliance, payment of a claim is permitted provided that the non-compliance is remedied as stipulated in the Regulations. A lessor must act with due diligence to remedy any non-compliance as soon as possible.

Note: Any non-compliance due to the rounding off of numbers will not be considered as "inadvertent" by the Administration. Example: If the amount of the capital lease is \$99 650, the personal guarantee may not be rounded to \$25 000.

Following are specific instances of non-compliance and the remedial action to be taken by the lessor.

	<i>Non-compliance</i>	<i>Remedial action and conditions for claim payment</i>
Reg s. 30	<ul style="list-style-type: none"> 1.25 percent administration fee not paid 	<ul style="list-style-type: none"> The non-compliance is inadvertent. The administration fee is paid within 90 days after the Minister issues a notice of non-compliance.
Reg s. 31	<ul style="list-style-type: none"> over 100 percent of the cost of the equipment is financed real property or immovables are financed equipment is subject to a conditional sale or a leaseback cost of equipment exceeds \$250 000 security interest not registered or rights not published missing documentation due diligence requirements not met 	<ul style="list-style-type: none"> The non-compliance is inadvertent. The loss on the capital lease is calculated on the portion of the total financing amount that complies with the Regulations.
Reg s. 32	<ul style="list-style-type: none"> requirements for guarantees or suretyships not satisfied 	<ul style="list-style-type: none"> The non-compliance is inadvertent, and the loss is not affected by the non-compliance. The amount recovered from the realization of the personal guarantees or suretyships must not be greater than 25 percent of the total financing amount of the capital lease disbursed (exclusive of interest and costs).

	<i>Non-compliance</i>	<i>Remedial action and conditions for claim payment</i>
Reg s. 33	<ul style="list-style-type: none"> • 10-year payment term exceeded • non-allowable fee or charge • imputed interest rate in excess of maximum 	<ul style="list-style-type: none"> • The non-compliance is inadvertent, and the loss is not affected by the non-compliance. • The lessee was reimbursed for any overcharges.
Reg s. 34	<ul style="list-style-type: none"> • report on capital leases outstanding not submitted 	<ul style="list-style-type: none"> • The non-compliance is inadvertent. • The Minister receives the report.

section 44(1)(4)
(5)(6)

5 SUBMITTING A CLAIM FOR LOSS

5.1 Type of claim for loss

A lessor can submit either:

- 1) a claim for loss; or
- 2) an interim claim for loss.

A claim for loss should be submitted if the lessor has fully realized on all the equipment, security, insurance policy, guarantees or suretyships, or personal liability (as in the case of the sole proprietor and partnership).

An interim claim for loss should be submitted if the equipment, insurance policy and any additional security on the business assets have been fully realized, but the lessor has not fully implemented a compromise settlement or fully realized on the guarantees or suretyships.

section 44(2)(3)

5.2 Time limitations for claim submissions

A claim for loss or an interim claim for loss should be submitted within 36 months from the expiration of the period specified in the notice of default (see Item 1.1 of this section). A request for an extension can be made before the expiration of the 36 months by completing and submitting to the Administration the Request for Extension of Claim Submission Date form (see Forms Section).

If a claim for loss is submitted before a lessor has realized on the equipment and/or additional security, the claim for loss will be considered premature and will be returned to the lessor. However, if it is impractical or impossible to realize on all or parts of the equipment and/or additional security (including guarantees or suretyships), a claim for loss may still be submitted. Accompanying the claim for loss must be an explanation plus all supporting documents outlining why all the primary security and/or additional security could not be realized, and why no further recovery can be made.

6 INTERIM CLAIM PROCEDURES

The objectives of the interim claim are:

- to allow the lessor sufficient time to fully implement a compromise settlement, or fully realize on guarantees or suretyships;
- to expedite the payment of claims to lessors; and
- to minimize the costs of the pilot project.

To realize on guarantees or suretyships means:

- to fully realize on the guarantees or suretyships;
- to negotiate and fully implement a compromise settlement; or
- to register a judgment and file a writ of execution where appropriate.

If at the time of payment of an interim claim, the date is known when a compromise settlement will be fully implemented or a guarantee or suretyship will be fully realized, the Administration will pay the claim and may consider the payment of the interim claim to be an extension to the 36-month limitation period for the submission of the final claim, when applicable. On the Claim Payment Summary, the Administration will advise the lessor of the date for the final claim submission. If the date of full implementation of the compromise settlement or the date of full realization of the guarantee or suretyship is not known at the time of the payment of the interim claim, a date will be established by the lessor and the Administration at the time of the payment of the interim claim. On the Claim Payment Summary, the Administration will advise the lessor of the established date.

In both situations, the lessor will be required to submit a final claim or a request for an extension before the established date. If the Administration does not receive a final claim or a request for an extension before the established date, the interim claim is deemed to be final. The Crown is then subrogated in the rights of the lessor to the extent of the amount of the final claim paid.

7 ESTABLISHING THE AMOUNT OF THE CLAIM FOR LOSS

The amount of loss shall be calculated by the Administration by aggregating the following:

- outstanding balance of the capital lease at the expiration of the period specified in the notice of default;
- application of gross proceeds from the disposition of the equipment and additional security realization, payments by guarantors or sureties, recoveries from the lessee, insurance proceeds and all other proceeds;
- uncollected legal costs approved by a judgment;
- legal fees and disbursements; and
- other costs incurred by the lessor in endeavouring to collect the capital lease or in realizing on security (the lessor can include only costs paid to parties other than the lessor's employees).

The Administration shall deduct from the above calculation the aggregate of the following amounts:

- the greater of the residual value of the equipment set out in the registration form or the net amount received by the lessor on any sale, capital lease or other disposition of the equipment;
- any other proceeds realized;
- any amount paid by the lessor to a secured creditor; and
- taxes that may be reimbursed to the lessor.

Notes:

- 1) For an interim claim for loss, the Administration will deduct either the full amount of the compromise or the full amount of the guarantee or suretyship, as applicable.
 - 2) Where a lessor has realized on the equipment and any additional security, collected under guarantees or suretyships, or recovered funds from a lessee, the gross proceeds will be applied to the principal outstanding on the date these proceeds were received by the lessor or its representative.
-

Disposing of equipment

There are two ways the equipment can be disposed of:

- by selling it to a third party; or
- by entering into a new capital lease with a new lessee.

If the equipment is disposed of by selling it to a third party, the lessor must keep on file evidence of the sale price of the equipment (i.e. invoices, contracts and sales agreements).

If the equipment is disposed of by entering into a new (CSBFA or conventional) capital lease with a new lessee, for the purposes of the pilot project the net amount received by the lessor will be the aggregate of:

- any down payments made by the new lessee; and
- the present value of the outstanding balance of the new capital lease.

The value will be calculated using an annual imputed interest rate determined by the following formula:

$$(A - B) - C + D$$

where:

- *A* is the annual imputed rate of interest used in the calculation of the scheduled payments of the capital lease registered under the Regulations;
- *B* is the rate of interest on Government of Canada bonds in effect on the day the capital lease was entered into;
- *C* is the 1.25 percent administration fee; and
- *D* is the rate of interest on Government of Canada bonds in effect on the day the new capital lease is entered into.

section 44(10)

7.1 Calculation of interest subsequent to default

On the outstanding balance of the capital lease from the date of default to the date specified in the notice of default, interest will be calculated at the annual imputed rate used to calculate the capital lease payments. It will be paid for 12 months after the date specified in the notice of default or until the date of payment by the Administration, whichever is earlier. The rates applied are:

- for the first 6 months of this period, the annual imputed rate used to calculate the capital lease payments in effect at the time the capital lease was entered into; and
- for the next 6 months, one half that rate.

section 44(11)

7.2 Portion of the capital lease registered under the Regulations

Where only a portion of the capital lease was registered, the eligible loss payable by the Minister will be calculated on the registered portion.

Example:

Amount of capital lease:	\$250 000
Total financing amount registered under the pilot project:	\$150 000
Calculation of the loss:	
Outstanding balance of the capital lease at the time of default:	\$200 000
Less proceeds from the disposition of the equipment:	\$122 883
Total loss:	\$77 117
Eligible loss: $(\$150\,000 \div \$250\,000) \times \$77\,117$	\$46 270
Minister's liability: $\$46\,270 \times 85\%$	\$39 330

section 44
(7)(b)(iii)

7.3 Prior ranking of security, where applicable

If any security on the equipment financed by the capital lease ranks prior to the lessor's own security interest and rights at the time of default, any amount paid by the lessor to the said prior-ranking secured creditor(s) is deemed to be added to the net amount received by the lessor.

Example:

The outstanding balance of the capital lease at the time of default is \$124 000. The lessor disposes of the equipment by selling it to a third party for an amount totalling \$67 000. In this example the lessor partially financed its purchase of the equipment with a bank loan and provided a first mortgage to the lender. In order to give a clear title to the purchaser, the lessor must pay the amount it owes to the bank. If the balance owing to the bank is \$30 000, the net amount received by the lessor would thus be \$37 000. The loss, excluding interest and costs, would then be calculated as follows:

Outstanding balance of the capital lease at the time of default:	\$124 000
Less net proceeds from the sale of the equipment: $(\$67\,000 - \$30\,000)$	\$37 000
Less amount paid to prior-ranking secured creditor:	\$30 000
Amount of the loss:	\$57 000
Minister's liability: $\$57\,000 \times 85\%$	\$48 450

The claim will be paid to the lessor provided there is sufficient Minister's liability in favour of the lessor (see Section B, Item 9).

section 9
section 10

7.4 Loss-sharing ratio

The government/lessor loss-sharing ratio is 85 percent:15 percent. A lessor cannot avoid absorbing its 15 percent share of the loss by taking compensatory security of any kind or claiming from the lessee/guarantor after payment of the claim.

8 DOCUMENTING A CLAIM FOR LOSS SUBMISSION

When a lessor submits a claim for loss or an interim claim for loss, copies of the following documents must be submitted.

Claim form:

- a properly completed Claim for Loss form certified by a responsible lease officer of the lessor (see Forms Section); and
- any approved request for extension of claim submission deadline.

Registration and application:

- the lessee's capital lease application form and/or a copy of the lessor's documentation signifying approval for the capital lease; and
- the Capital Lease Registration form, the Capital Lease Cost form, the Capital Lease Registration and Fee Receipt Acknowledgement form, and the Capital Lease Registration Modification Acknowledgement form, if applicable.

Eligibility of a capital lease:

- the cost of equipment and proof of payment;
- the lessee's statement of the capital lease account (computer printout, etc.), showing all payments and all other entries to the capital lease account;
- the capital lease agreement;
- the documents relating to the equipment security interest registration or publication of rights, additional security, and guarantees or suretyships; and
- the documents giving evidence of any revision of payment terms.

Realization of security and guarantee(s):

- the documents giving evidence of the sale, capital lease or other disposition of the equipment and of any additional security;
- a report of the unrealized security, including guarantees or suretyships or personal liability of the sole proprietor or partnership;
- the documents supporting any settlement with the lessee or third parties, including guarantors or sureties;
- invoices/receipts supporting costs claimed;
- the detailed solicitor's billing showing total time spent, work performed and rate per hour charged;
- the statement of claim, judgment and writ of execution;

- evidence of bankruptcy/receivership (notice of first meeting of creditors, including the statement of the bankrupt as to the assets and liabilities), the lessor's proof of claim against the bankrupt estate (which is to include the total amount owing on the capital lease), and the trustee's/receiver's final report (where this is not yet available, the lessor's/trustee's comments as to the probability of receiving dividends from the estate should be provided, and the final report should eventually be sent to the Administration when available);
- the documents giving evidence of the landlord's distraint action against the equipment and/or additional security, if available; otherwise, an explanation providing details of the distraint action; and
- all other documents when requested by the Administration for processing of the claim for loss.

9 POST-CLAIM RECEIPT OF PROCEEDS

The Administration's share of any monies received after the payment of a claim for loss (e.g. dividends) is to be forwarded by cheque payable to the Receiver General for Canada. To be included with substantiating documents and payment are the name of the lessee, the source of the funds, the date of the collection, the amount of any sums deducted from the gross proceeds, and a summary of the lessor's calculations where the funds are shared with other capital leases.

section 46


10 SUBROGATION

The Minister is subrogated in all the rights of the lessor from the date of payment of the final claim up to the amount paid by the Minister.

FORMS

FORMS

FORMS

 Government of Canada / Gouvernement du Canada

CAPITAL LEASING REGULATIONS CAPITAL LEASE REGISTRATION FORM

- Notes:** 1) "CSBFA" means the Canada Small Business Financing Act. "SBLA" means the Small Business Loans Act.
 2) "CAPITAL LEASING REGULATIONS" means the Canada Small Business Financing (Establishment and Operation of Capital Leasing Pilot Project) Regulations.
 3) "CAPITAL LEASE" means the capital lease registered or to be registered under the Capital Leasing Regulations.
 4) Please read the attached INSTRUCTIONS and fill in all of lines or use N/A if not applicable.

LESSOR		FOR OFFICE USE ONLY	
1 Lessor's Name and Address (print)		2 Industry Canada Identification No.	
Postal Code		3 Lessor's Capital Lease Account No.	
LESSEE			
4 Lessee's Name and Address (print)		5 Telephone No.	
Postal Code		6 GST Registration No.	
		or <input type="checkbox"/> Exempted from GST	
7 Operating Name of Business (if different from the name reported in Line 4)			
8 Type of Lessee (check one box only)		9 Lessee's estimated annual gross revenue \$	
<input type="checkbox"/> Sole Proprietorship <input type="checkbox"/> Partnership <input type="checkbox"/> Corporation		Cannot exceed \$5,000,000	
10 Industrial Sector (use one of the letters from A to S as per instructions and print a concise description)		11 Type of Equipment (use one of the letters from A to O as per instructions and print a concise description)	
Sector	Description of Activity	Type	Description of Equipment
<input type="checkbox"/>		<input type="checkbox"/>	
12 Number of years the business seeking the capital lease has been operating		13 Is the equipment located on an Indian Reserve?	
<input type="checkbox"/> New <input type="checkbox"/> 1 to 3 years <input type="checkbox"/> More than 3 years		<input type="checkbox"/> Yes <input type="checkbox"/> No	
14 Type of Operation		15 If franchise or operating under a management contract: Name and Address of Franchisor or Contractor	
<input type="checkbox"/> Franchise <input type="checkbox"/> Operating under a management contract with supplier of assets <input type="checkbox"/> Other		Postal Code	
		16 Number of current full-time equivalent employees on the payroll at time of capital lease application	
		17 Number of additional persons to be employed (full-time equivalent) as a direct result of this capital lease	
CAPITAL LEASE			
18 Aggregate amount of guarantees or suretyships obtained for the capital lease		19 Term of Capital Lease (in months)	20 Date the capital lease was entered into
Personal \$ _____ Corporate \$ _____ <input type="checkbox"/> None		Cannot exceed 120 months	Year Month Day
21 Security interest / publication of rights on equipment		22 If applicable, charges payable by the lessee to the lessor for:	
<input type="checkbox"/> Yes <input type="checkbox"/> No		a) Security / Rights	b) Life or disability insurance
		\$ _____	\$ _____
c) Handling NSF cheques	d) Equipment inspection	e) Changes to the capital lease	f) Preserving security when in default
\$ _____	\$ _____	\$ _____	\$ _____
		g) Ensuring equipment is in good condition	h) Equipment insurance
		\$ _____	\$ _____

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23	Cost of the equipment (cannot exceed \$250,000)	\$	AMOUNT OF CAPITAL LEASE TO BE REGISTERED
24	Financed cost of the equipment		+ \$
25	Registration fee financed (only if partly or fully financed)		+ \$
26	TOTAL FINANCING AMOUNT OF CAPITAL LEASE TO BE REGISTERED		= \$
27	Registration Fee (2% of Line 24) Cheque payable to Receiver General	\$ _____ <i>Do not round to nearest dollar</i>	28 Lessor of "value of the bargain purchase price" and "residual value" of the equipment \$

LESSEE'S ACKNOWLEDGEMENT AND CONSENT

I, the undersigned lessee or responsible officer of the lessee

- 1) acknowledge that:
 - a) to the best of my knowledge, the information contained herein is complete and accurate;
 - b) the total financing amount of this capital lease, plus the outstanding balance of any other capital lease registered under the Capital Leasing Regulations, plus the outstanding balance of any loan registered under the CSBFA and the SBLA, in respect of the lessee and a related lessee or borrower (see instructions), does not exceed the aggregate of \$250,000;
- 2) consent to:
 - a) the audit, by Industry Canada representatives, of the capital lease approval and administration file held by the lessor;
 - b) the release, by Industry Canada representatives, of information in respect of the lessee's outstanding capital leases registered under the Capital Leasing Regulations, to another lessor to whom the lessee applied for a capital lease;
 - c) the release, by Industry Canada representatives, of information in respect of the lessee's outstanding loans registered under the CSBFA and the SBLA, to a lessor to whom the lessee applied for a capital lease; and
 - d) the release, by Industry Canada representatives, of information in respect of the lessee's outstanding capital leases registered under the Capital Leasing Regulations, to a lender to whom the lessee applied for a loan under the CSBFA.

Fraudulent activities in respect of capital leases registered under the Capital Leasing Regulations could be subject to sanctions under the Criminal Code.

Name of Lessee or Responsible Officer of the Lessee (print)	Signature	Date
		Year Month Day

LESSOR'S ACKNOWLEDGEMENT

I, the undersigned responsible officer of the lessor,

- 1) acknowledge that:
 - a) to the best of my knowledge, the information contained herein is complete and accurate;
 - b) no fees or charges other than those authorized by the Capital Leasing Regulations have been paid or are payable by the lessee;
 - c) before entering into the capital lease, the total financing amount of this capital lease plus the outstanding balance of any other capital lease registered under the Capital Leasing Regulations, plus the outstanding balance of any loan registered under the CSBFA and the SBLA, in respect of the lessee and a related lessee or borrower (see instructions for the lessee), was verified, within the lessor's organization, not to exceed the aggregate of \$250,000;
 - d) the capital lease does not provide for: equipment having a cost exceeding \$250,000; equipment having a financed cost greater than 100% of the cost of the equipment; equipment subject of a conditional sale; equipment subject of a sale-lease back; real property or immovables.
 - e) before approving the capital lease, the lessor acted in accordance with the due diligence requirements of the Capital Leasing Regulations; and
 - f) the capital lease complies with all the eligibility requirements of the Capital Leasing Regulations.

Fraudulent activities in respect of capital leases registered under the Capital Leasing Regulations could be subject to sanctions under the Criminal Code.

Name and Title of Responsible Officer of the Lessor (print)	Signature	Date
		Year Month Day

Telephone No.	Extension	Fax No.	E-mail Address
_____	_____	_____	_____

LESSOR'S CHEQUE PAYABLE TO "RECEIVER GENERAL FOR CANADA".
Send this form with the cheque to:

Capital Leasing Pilot Project
 Small Business Loans Administration
 235 Queen Street
 Ottawa, Ontario K1A 0H5
 Tel.: (613) 954-5540 Fax: (613) 952-0290
 Email: csbfa-lfpec@lc.gc.ca
 Internet: strategis.gc.ca/csbfa

INSTRUCTIONS FOR THE LESSOR

1. Indicate the name, address and postal code of the lessor branch where the capital lease was entered into.
2. Enter the Identification number assigned to the lessor (8 digits) by Industry Canada.
3. Enter the complete lessor's account number for the lease.
4. Enter the name, address, postal code and telephone number of the lessee obligated for the payment of the capital lease. For a business operating as a sole proprietorship or partnership, enter the name(s) of the proprietor or partners.
5. Enter the telephone number of the lessee.
6. Enter the Goods and Services Tax (GST) number assigned to the lessee by the Federal Government (9 digits), not the Provincial Sales Tax number. If the business is exempted from obtaining a GST number, please indicate so. If new and not yet received but applied for, indicate "to follow" and forward GST number when received.
7. Provide the operating name of the business if the name is different from the legal entity or person(s) directly obligated for the payment of the capital lease (e.g. a franchise name).
8. Check only one of the boxes.
9. Indicate the business's estimated gross annual revenue for the fiscal period, of not less than 52 weeks, for which the capital lease is entered into. The amount cannot exceed five million dollars.
10. Indicate in the box which of the following industrial sectors (one only) best describes the lessee's main business activity resulting from the capital lease (use the letter, not the SIC or NASIC), and write a concise and clear description of the main activity (please print).

A - Agriculture (support activities), Forestry, Fishing and Hunting	K - Real Estate and Rental and Leasing
B - Mining and Oil and Gas Extraction	L - Professional, Scientific and Technical Services
C - Utilities	M - Administrative and Support, Waste Management and Remediation Services
D - Construction	N - Educational Services
E - Manufacturing	O - Health Care and Social Assistance
F - Wholesale Trade	P - Arts, Entertainment and Recreation
G - Retail Trade	Q - Accommodation Services
H - Transportation and Warehousing	R - Food and Beverages Services
I - Information and Cultural Industries	S - Other Services
J - Finance and Insurance	
11. Indicate in the box which of the following (one only) best describes the type of equipment leased. Write a concise and clear description (please print).

A - Automobiles	I - Computers (hardware & software)
B - Trucks, trailers, buses, etc	J - Forestry
C - Construction	K - Manufacturing
D - Hotel & restaurant	L - Medical & health
E - Materials handling	M - Ships & water vessels
F - Mining & petroleum	N - Telecommunications
G - Office furniture and fixtures	O - Other
H - Store furniture and fixtures	
12. Check the appropriate box to indicate the number of years the business seeking the capital lease has been operating.
13. Check the appropriate box. Indicate if the equipment is located or not on an Indian Reserve.
14. Check only one of the boxes. Operating under a management contract with a supplier of equipments means: an agreement between a supplier of equipments (e.g. vending machines) and the lessee, with the right for the equipment(s) to be exploited in a territorial area, whereby the lessee also enters into a contract with the supplier for the placement of the equipment(s) and servicing, collecting revenues and for other administrative services related to the daily conduct of the business.
15. If operating under a franchise agreement or a management contract with the supplier of the equipments financed by the capital lease, enter the name, address and postal code of the legal entity operating as the franchisor or as the management contractor.
16. Indicate the number of persons (including the owner) on the payroll of the business at the time of application. A full time employee counts as one (1) employee. A part time employee counts as one third (1/3). Round off to the nearest whole number.
17. Indicate the number of additional persons (full-time or equivalent) to be employed as a direct result of this capital lease.
18. If applicable indicate the total amount of guarantees or suretyships obtained. Personal guarantees or suretyships must be unsecured and cannot exceed (in aggregate) 25% of the "Total financing amount of the capital lease" indicated in Line 26. Corporate guarantees or suretyships may be secured but cannot exceed 100% of the "Total financing amount of the capital lease".

INSTRUCTIONS FOR THE LESSOR

19. Indicate the number of months covered by the term of the capital lease. Cannot exceed 120 months from the day on which the capital lease is entered into in Line 20.
20. Enter the date the capital lease was signed by the lessee and by the responsible officer of the lessor. The capital lease is to be registered within four months following that date.
21. Check the appropriate box to indicate, as a reminder, that the lessor has to register a security interest in the leased equipment or to make a publication of its rights concerning the leased equipment, as prescribed by provincial laws, in the registry office. Please note that a lessor may take additional security in the assets of the lessee's small business.
22. If applicable, enter:
 - a) any charge to register the lessor's security interest or, to publish its rights;
 - b) any premium paid by the lessor in respect of a capital lease under a life or disability insurance policy that provides that a benefit is or may become payable to the lessor;
 - c) any charge by the lessor for the handling of a cheque presented or issued by a lessee that is subsequently returned because there are not sufficient funds, if stipulated in the capital lease;
 - d) any cost related to the inspection of the equipment, if stipulated in the capital lease;
 - e) any fee for changes to the capital lease requested by the lessee;
 - f) any expense incurred by the lessor to preserve its security in the event of default;
 - g) any fee or charge related to maintaining the equipment in good condition, if stipulated in the capital lease; or
 - h) any premiums for equipment liability, physical damage and replacement insurance, if required under the capital lease.
23. Indicate the amount of the cost of equipment.
24. Indicate the amount of the financed cost of equipment.
25. Indicate, if applicable, the financed amount of the registration fee. The financing of the registration fee is optional. If financed, the financed amount of the registration fee may be equal or lower than the amount of the registration fee to be remitted to the Minister according to Line 27.
26. Indicate the total financing amount of the capital lease (Line 24 plus 25).
27. Indicate the amount of registration fee that is payable for the capital lease. It must represent 2% of the "Financed cost of the equipment" on Line 22. The lessor must submit a cheque for this amount along with this registration form.
28. Indicate the lesser of the value of the bargain purchase price and the residual value of the equipment set out in the capital lease.

INSTRUCTIONS FOR THE LESSEE

Related lessees / borrowers

For the purpose of the Capital Leasing Regulations, a lessee is related to another lessee or borrower if:

- either the lessee or borrower directly or indirectly controls the other in any manner; or
- both lessees or both the lessee and the borrower are directly or indirectly controlled in any manner by the same person or group of persons; or
- the lessee carries on its small business in partnership with the other lessee or borrower who carries on another small business; or
- the lessee shares management services, administrative services, equipment, facilities or overhead expenses of the business with the other lessee or borrower, but is not in partnership with that lessee or borrower.

Despite the above, a lessee is not related to another lessee or borrower for the purpose of the Capital Leasing Regulations if their businesses are located at different premises and neither derives more than 25% of their actual or projected gross revenues from the other.

For the purpose of the above, "control" means the holding of shares of a corporation to which are attached more than 50% of the votes necessary to elect a majority of its directors.

**CAPITAL LEASING REGULATIONS
CAPITAL LEASE COST FORM**

Note: Please read the attached INSTRUCTIONS and fill in all of the lines or use N/A if not applicable.

Lessor's Name		Industry Canada Identification No.	Lessee's Name
1.	Purchase price of new equipment		+ \$
The lesser of a) or b)			
2.	a) Purchase price of used equipment	\$	+ \$
	b) Fair market value of the used equipment	\$	
3.	Additional costs necessary for the operation of the equipment, if applicable		+ \$
4.	Cost of software related to the operation of the equipment, if applicable		+ \$
5.	Non-refundable taxes and customs duties, if applicable		+ \$
6.	Cost of equipment (total of Lines 1 to 5) (cannot exceed \$250,000)		= \$
7.	Deduct: amount not financed, if applicable		- \$
8.	Financed cost of the equipment (Line 6 less Line 7) (cannot exceed 100% of Line 6)		= \$
9.	Registration fee included in the capital lease (if financed, cannot exceed 2% of Line 8)		+ \$
10.	Total financing amount of the capital lease (Line 8 plus Line 9) (cannot exceed \$250,000)		= \$
11.	Deduct: the lesser of residual value or bargain purchase option price of the equipment, if applicable		- \$
12.	Amount to be amortized (Line 10 less Line 11)		= \$
13.	Annual imputed rate of interest $\frac{\text{Gov. of Canada bonds}}{\%} + \frac{\text{Cannot exceed 13.25\%}}{\%} =$		
14.	Term of the capital lease, in months (cannot exceed 120 months)		
15.	Basic monthly capital lease payment		= \$
16.	GST / HST		+ \$
17.	PST		+ \$
18.	Total monthly capital lease payment		= \$

LESSOR'S ACKNOWLEDGEMENT

I, the responsible officer of the lessor, acknowledge that:
a) to the best of my knowledge, the information contained herein is complete and accurate; and
b) the capital lease complies with all the eligibility requirements of the Canada Small Business Financing (Establishment and Operation of Capital Leasing Pilot Project) Regulations.

Fraudulent activities in respect of capital leases registered under the Capital Leasing Regulations could be subject to sanctions under the Criminal Code.

Name and Title of Responsible Officer of the Lessor (print)		Signature	Date Year Month Day
Telephone No.	Extension	Fax No.	E-mail Address

Send this form with the related CAPITAL LEASE REGISTRATION FORM to:

Capital Leasing Pilot Project
Small Business Loans Administration
235 Queen Street, Ottawa, Ontario K1A 0H5
Tel.: (613) 954-5540 Fax: (613) 962-0290
Email: csbfa-lfpac@ic.gc.ca
Internet: strategis.gc.ca/csbfa

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INSTRUCTIONS FOR THE LESSOR

1. Enter, if applicable, the purchase price of the new equipment part of the capital lease. The equipment must not be the subject of a conditional sale or a sale-lease back.
2. Enter, if applicable, the lesser of the following:
 - a) Purchase price of the used equipment. The equipment must not be the subject of a conditional sale or a sale-lease back; it must also have an economic life greater than the term of the capital lease.
 - b) Fair market value of the used equipment on the day on which the capital lease is entered into.
3. Enter, if applicable, the amount of additional costs necessary for the operation of the equipment at the exclusion of maintenance and training cost. The financing of these costs is optional.
4. Enter, if applicable, the amount of software related to the operation of the equipment. The financing of this cost is optional.
5. Enter, if applicable, the amount of non-refundable taxes and custom duties. The financing of these costs is optional.
6. Enter the total amount of Lines 1 to 5 in order to get the cost of equipment. This amount cannot exceed \$250,000. The amount must correspond to line 23 of the "Capital Lease Registration Form".
7. Enter, if applicable, the amount not financed under the capital lease (e.g.: down payment or financing by another capital lease).
8. Deduct the amount not financed from the cost of equipment in order to get the financed cost of equipment. This amount must be equal or lower than the cost of equipment. The amount must correspond to line 24 of the "Capital Lease Registration Form".
9. Enter, if applicable, the amount of registration fee that is financed and included in the capital lease. The financing of these fees is optional. If financed, the registration fee must be equal or lower than 2% of the financed cost of equipment. The amount must correspond to line 25 of the "Capital Lease Registration Form".
10. Add the financed registration fees to the financed cost of equipment in order to get the total financing amount of the capital lease to be registered. This amount cannot exceed \$250,000. The amount must correspond to line 26 of the "Capital Lease Registration Form".
11. Enter, if applicable, the lesser of the residual value or the bargain purchase option price indicated in the capital lease. The amount must correspond to line 28 of the "Capital Lease Registration Form".
12. Deduct the lesser of the residual value or the bargain purchase option price indicated in the capital lease from the total financing amount of the capital lease in order to get the amount to be amortized.
13. Enter the annual imputed rate of interest which cannot exceed 13.25% plus the rate of interest on the Government of Canada marketable bonds average yield as published by the Bank of Canada on the last Wednesday of the month before the day on which the capital lease was entered into. According to the term of the capital lease, select the appropriate rate from the following tiers: 1 to 3 years, 3 to 5 years, and 5 to 10 years.
14. Enter the term of the capital lease in months. Cannot exceed 120 months beginning on the day on which the capital lease is entered into.
15. Calculate the basic monthly capital lease payment using the amount to be amortized, the annual imputed rate of interest and the term of the lease.
16. Enter, if applicable, the amount of GST or the HST for those provinces where the taxes are harmonized with the GST.
17. Enter, if applicable, the amount of provincial taxes.
18. Enter the total of lines 15 to 17 representing the monthly capital lease amount payable by the lessee.

**CAPITAL LEASING REGULATIONS
REQUEST FOR THE TRANSFER OF CAPITAL LEASE(S)
FOR THE PURPOSE OF LEASE FUNDING**

Notes: 1) "CAPITAL LEASING REGULATIONS" means the Canada Small Business Financing (Establishment and Operation of Capital Leasing Pilot Project) Regulations.
2) To ensure that the Minister's liability is maintained, the lessors should not transfer the capital leases until the Minister has notified both lessors that the transfers meet the requirements of section 36 of the Capital Leasing Regulations.

CAPITAL LEASES					
Industry Canada Capital Lease Registration No.	Name of Lessee	Date Capital Lease Entered Into			Total Financing Amount of the Capital Lease
		Year	Month	Day	
					\$
					\$
					\$
					\$
					\$
					\$
					\$

For additional entries, use the next page.

TRANSFEROR LESSOR (ORIGINAL)

The transferor lessor acknowledges the request to transfer the capital leases and its responsibility to the payment of 1.25% administration fees due before the effective date of the transfers.

Lessor's Name and Address (print) _____ Industry Canada Identification No. _____

Name and Title of Responsible Officer of the Transferor Lessor (print) _____ Signature _____ Date _____
Year _____ Month _____ Day _____

Telephone No. _____ Extension _____ Fax No. _____ E-mail Address _____

TRANSFeree LESSOR (ACQUIRING)

The transferee lessor acknowledges the request to transfer the capital leases and its responsibility to the payment of 1.25% administration fees due from the effective date of the transfers. It is the responsibility of the transferee lessor to satisfy itself that the capital leases meet all the provisions requirements of the Capital Leasing Regulations.

Lessor's Name and Address (print) _____ Industry Canada Identification No. _____

Name and Title of Responsible Officer of the Transferee Lessor (print) _____ Signature _____ Date _____
Year _____ Month _____ Day _____

Telephone No. _____ Extension _____ Fax No. _____ E-mail Address _____

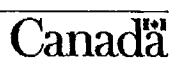
DECISION BY THE MINISTER

1) The Minister is satisfied that the requirements of section 36 of the Capital Leasing Regulations have been met.
2) As of this date, for the calculation of the Minister's liability, the original amount of each capital lease is deducted from the portfolio of capital leases entered into by the transferor lessor, and added to the transferee lessor's portfolio of capital leases transferred for the purpose of lease funding.
3) The Minister is not liable to pay any loss with respect to the capital leases being transferred if the lessors have not complied with the requirements of the Capital Leasing Regulations.

Name and Title (print) _____ Signature _____ Date _____
Year _____ Month _____ Day _____

Forward to: Capital Leasing Pilot project
Small Business Loans Administration
235 Queen Street
Ottawa, Ontario K1A 0H5
Tel.: (613) 954-5540 Fax: (613) 952-0290
Email: csbfa-fpec@ic.gc.ca
Internet Site: strategis.gc.ca/csbfa

IC 2841e (2002/01)



**CAPITAL LEASING REGULATIONS
REQUEST FOR THE TRANSFER OF A LEASE BETWEEN LESSORS
AT THE REQUEST OF THE LESSEE**

- Notes: 1) "CAPITAL LEASING REGULATIONS" means the Canada Small Business Financing (Establishment and Operation of Capital Leasing Pilot Project) Regulations.
2) To ensure that the Minister's liability is maintained, lessors should not transfer the capital lease until the Minister has notified both lessors that the transfer meets the requirements of section 35 of the Capital Leasing Regulations.

LESSEE
The lessee hereby requests that the capital lease be transferred to the transferee lessor.
Lessee's Name (print)

Industry Canada Capital Lease Registration No.	Date Capital Lease Entered Into Year Month Day	Total Financing Amount of Capital Lease ▶ \$
Name of Lessee or Responsible Officer of the Lessee (print)	Signature	Date Year Month Day
Telephone No.	Extension	Fax No. E-mail Address

TRANSFEROR (ORIGINAL LESSOR)
The transferor lessor acknowledges the request to transfer the capital lease and its responsibility for the payment of 1.25% administration fees due before the effective date of the transfer.
Transferor's Name and Address (print)

	Industry Canada Identification No.	
Name and Title of Responsible Officer of the Transferor Lessor (print)	Signature	Date Year Month Day
Telephone No.	Extension	Fax No. E-mail Address

TRANSFEREE (ACQUIRING LESSOR)
The transferee lessor acknowledges the request to transfer the capital lease and its responsibility to the payment of 1.25% administration fees due from the affected date of the transfer. It is the responsibility of the transferee lessor to satisfy itself that the capital lease meets all the requirements of the Capital Leasing Regulations.
Transferee's Name and Address (print)

	Industry Canada Identification No.	
Name and Title of Responsible Officer of the Transferee Lessor (print)	Signature	Date Year Month Day
Telephone No.	Extension	Fax No. E-mail Address

DECISION OF THE MINISTER
1) The Minister is satisfied that the requirements of section 35 of the Capital Leasing Regulations have been met.
2) As of this date, for the calculation of the Minister's liability, the original amount of the capital lease is deducted from the portfolio of capital leases entered into by the transferor lessor, and added to the portfolio of capital leases entered by the transferee lessor.
3) The Minister is not liable to pay any loss with respect to the capital lease being transferred if the lessors have not complied with the requirements of the Capital Leasing Regulations.

Name and Title (print)	Signature	Year Month Day
------------------------	-----------	----------------------

Forward to: Capital Leasing Pilot Project
Small Business Loans Administration
235 Queen Street
Ottawa, Ontario K1A 0H5
Tel.: (613) 954-5640 Fax: (613) 952-0290
Email: csbfa-lfpec@ic.gc.ca
Internet Site: strategis.gc.ca/csbfa

IC 2842e (2002/01)





**CAPITAL LEASING REGULATIONS
REQUEST FOR EXTENSION OF CLAIM SUBMISSION DATE**

Note: 1) "CAPITAL LEASING REGULATIONS" means the Canada Small Business Financing (Establishment and Operation of Capital Leasing Pilot Project) Regulations.
 2) To be used by lessors to request an extension beyond the prescribed 36 months period or a previously authorized extension.
 3) The request must be submitted BEFORE the expiration of 36 months following the date specified in the notice of default or BEFORE the previously authorized extension.

LESSOR	
Lessor's Name and Address (print)	Industry Canada Identification No. Postal Code

INFORMATION ON CAPITAL LEASE
Lessee's Name (print)

Industry Canada Capital Lease Registration No.	Date Capital Lease Entered Year Month Day	Total Financing Amount of Capital Lease ▶ \$
--	--	--

Date of compliance specified in Notice of Default Year Month Day

State reasons for default, remedial action taken and / or proposed and reason for requesting an extension.

List details of security, guarantees or sureties held together for the capital lease with estimated realization proceeds and costs.

The lessor requests that the Claim for Loss Submission Date be extended to:

Name and Title of Responsible Officer of the Lessor (print)	Signature	Year Month Day
Telephone No.	Extension	Fax No.
		E-mail Address

AUTHORIZATION BY THE MINISTER

Based on the information contained herein, the Claim for Loss Submission Date is extended to:

Name and Title (print)	Signature	Year Month Day
------------------------	-----------	----------------

Note: 1. The Minister's authorization of the extended Claim for Loss Submission Date in no way provides or implies concurrence with any action taken or proposed by the lessor.
 2. The Minister is not liable to pay any loss with respect to this capital lease unless the lessor has complied with the requirements of the Capital Leasing Regulations.

Forward to: Capital Leasing Pilot Project
 Small Business Loans Administration
 235 Queen Street
 Ottawa, Ontario K1A 0H5
 Tel.: (613) 954-5540 Fax: (613) 952-0290
 Email: csbfa-lfpac@ic.gc.ca
 Internet Site: strategis.gc.ca/csbfa

IC 2840e (2002/01)





CAPITAL LEASING REGULATIONS CLAIM FOR LOSS

Note: Please read the attached INSTRUCTIONS to fill this form properly.

LESSOR

<p>1 (A) Name, address and contact name of lessor administering the capital lease (print)</p> <p style="text-align: right;">Postal Code</p>	<p>1 (B) If the payment must be forwarded to a different location than 1 (A), indicate the name, address and contact name.</p> <p style="text-align: right;">Postal Code</p>	
<p>2 Name of contact that must receive an acknowledgment receipt for this form</p> <p style="text-align: right;">Fax No.</p>		
<p>3 Industry Canada identification No.</p>	<p>4 Lessor's Capital Lease Account No.</p>	<p>5 Industry Canada Capital Lease Registration No.</p>

LESSEE

<p>6 Lessee's Name and Address (print)</p> <p style="text-align: right;">Postal Code</p>	<p>7 If business is a franchise, provide the name and address of the franchisor</p> <p style="text-align: right;">Postal Code</p>
<p>Operating Name of Business (if different)</p>	
<p>8 History of the Business, description of the project related to the capital lease, and details about transfers of the capital lease to other lessees or lessors.</p>	

TOTAL FINANCING AMOUNT

	Cost (A)	Amount Not Financed (B)	Total Financing Amount of the Capital Lease (C) = (A) - (B)
Purchased price of NEW equipment	\$	\$	\$
Lessor of: purchase price OR fair market value of USED equipment	\$	\$	\$
Additional costs necessary for the operation of the equipment	\$	\$	\$
Cost of software necessary for the operation of the equipment	\$	\$	\$
Non-refundable taxes and custom duties	\$	\$	\$
Registration fee (if financed)			\$
TOTAL	\$	\$	\$
10 Date the capital lease was entered into	Year Month Day	11 Term of the capital lease (months) ▶	

IC 2850a (2002/01)



Capital Lease Registration No.
Industry Canada

SECURITY AND GUARANTEES OR SURETYSHIPS

12 Description of security, guarantees or suretyships taken by the lessor

13 Enter in the boxes the two codes best explaining the default of the capital lease and provide explanations for the failure of the small business.

14 (A) Complete the following indicating whether or not security and guarantees or suretyships have been realized. Describe the realization process that took place. Explain the reasons why some security and guarantees or suretyships were not realized. Indicate the potential for additional recovery.

Security interest in Leased Equipment	Additional Security on Business Assets	Guarantees or Suretyships				Personal Liability of Lessee
		Personal		Corporate		
<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A	<input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A

(B) Indicate if any security was taken on the equipment by a prior ranking secured creditor. If so, provide details of the realization.

Securities by Prior Ranking Secured Creditor
 Yes No N/A

INFORMATION ON LESSEE AND GUARANTORS

15	Name	Status (Code)	Net Worth (Code)	Judgement Obtained		Date of Judgement			Amount Applicable to Capital Lease	Judgement Interest Rate
				Yes	No	Year	Month	Day		
									\$	%
									\$	%
									\$	%
									\$	%

LOSS INFORMATION

16 Date of Default: Year _____ Month _____ Day _____

17 Compliance Date in Notice of Default: Year _____ Month _____ Day _____

18 Annual imputed rate of interest at the compliance date in the Notice of Default: _____ % + _____ % = _____ %
Gov. of Canada bonds Cannot exceed 13.25%

Outstanding balance of the capital lease in relation with the outstanding balance of all registered and unregistered capital leases and loans at the compliance date in the notice of default.

19 Outstanding balance of the capital lease: \$ _____

20 Outstanding balance of all capital leases and loans: \$ _____

21 % (Line 19 / Line 20): _____ %

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Capital Lease Registration No.
Industry Canada

CHECKLIST

Copies of the following documents must accompany this claim for loss, if applicable:

- 1 Administrative documentation substantiating the approval of the capital lease
- 2 Capital lease registration form, Capital lease cost form, Receipt acknowledgment of the registration
- 3 Capital lease and all amendments to the capital lease
- 4 Documentation substantiating the cost of equipment, such as invoices, contracts, purchase and sale agreements, franchise agreements, vendor's declaration or any other evidence
- 5 Evidence of payment for the equipment financed by the capital lease, such as cancelled cheques, credit card receipts, vendor's receipted invoice or any other evidence
- 6 Document establishing the fair market value in respect of any used equipment
- 7 Statement of account with respect to the capital lease
- 8 Documents substantiating any changes to the lessor's annual imputed rate of interest
- 9 Documents substantiating the security, guarantees and sureties
- 10 Notice of default and demand for repayment
- 11 Documents supporting the realization of security and guarantees including the new capital lease agreement and the personal liability of the lessee
- 12 Documents supporting the unrealized security and guarantees or sureties including the personal liability of the lessee
- 13 Invoices and receipts supporting uncollected taxed costs, legal fees and disbursements and other costs incurred by the lessor. Detailed solicitor's billing must show work performed, total time spent and hourly rates.
- 14 Statement of Claim, Judgement and Writ of Execution
- 15 Documents in relation to the bankruptcy or receivership
- 16 Approved request for extension of claim submission deadline

LESSOR'S CERTIFICATION

I, the undersigned responsible officer of the lessor, certify that:

- 1. to the best of our knowledge, the information contained herein is true and accurate;
- 2. the lessor has:
 - a) acted in accordance with the due diligence requirements of the Canada Small Business Financing (Establishment and Operation of Capital Leasing Pilot Project) Regulations;
 - b) taken the measures against the lessee as required by the said Regulations to minimize the loss in respect of the capital lease; and
 - c) complied with all the eligibility requirements of the said Regulations.

Fraudulent activities in respect of capital leases registered under the Capital Leasing Regulations could be subject to sanctions under the Criminal Code.

SIGNATURES

Name and Title of Responsible Officer of the Lessor (print)	Signature	Year	Month	Day

Indicate Contact Name to Obtain Information

Telephone No.	Extension	Fax No.	E-mail Address

Send this form and all of the documentation to:

Capital Leasing Pilot Project
Small Business Loans Administration
235 Queen Street
Ottawa, Ontario K1A 0H5
Tel.: (613) 954-5540 Fax: (613) 952-0290
Email: csbfa-lfpec@ic.gc.ca
Internet: strategie.gc.ca/csbfa

INSTRUCTIONS

1. (A) Enter the name, address, postal code and the contact name of the lessor administering the capital lease.
(B) If the payment must be forwarded to a different location than 1 (A), indicate the name, address and contact name.
 2. Enter the name of the person to whom an acknowledgment for this form must be sent to.
 3. Enter the Identification number assigned to the lessor (8 digits) by Industry Canada.
 4. Enter the account number assigned to the capital lease by the lessor.
 5. Enter the capital lease registration number (7 digits) assigned to the capital lease by Industry Canada.
 6. Enter the lessee's name, address and postal code. Provide the operating name of the business, if different from the lessee's name.
 7. Enter the name, address and postal code of the franchisor, if the business is a franchise.
 8. Describe the history of the business and the purpose for which the capital lease was made. Enter all transfers of the capital lease to other lessees or lessors.
 9. For each cost component of the equipment, enter:
(A) the cost as substantiated by invoices, contract, proof of payment, or fair market value;
(B) the amount of the cost that was not financed by the capital lease;
(C) the amount of the cost that was financed by the capital lease, that is the difference between (A) and (B).
 10. Enter the date the capital lease was entered into.
 11. Enter the term of the capital lease in months.
 12. List the security, guarantees or suretyships relating to the capital lease together with any subsequent amendments.
 13. Enter in the boxes the two principal reasons for the capital lease default using the codes below. Explain in further detail the reasons for the failure of the small business.

1) - Poor management skills	6) - Difficulties with major suppliers or customers
2) - Insufficient equity capital	7) - Loss of key management
3) - Adverse developments in the industry or economy	8) - Fraudulent business activities
4) - Personal problems of the principal	9) - Excessive cash drain
5) - Unrealistic plans and projections	10) - Other
 14. (A) Check the boxes to indicate whether the items described were realized or not or were not applicable. Describe the realization process that took place. If applicable, explain and justify the realizations that were not done. Indicate the potential for any additional recovery.
(B) Indicate if any security was taken on the equipment by a prior ranking secured creditor. If so, provide details.
 15. Enter the name of the lessee and the guarantors. Using up to two of the following codes, indicate which best describe the status of the lessee and guarantors:

1) - Bankrupt	6) - Severe hardship
2) - Cannot be located	7) - Non-resident
3) - Compromise settlement	8) - Recovery not cost effective
4) - Debt cancelled	9) - Some possibility of recovery
5) - Unable to pay	10) - Good possibility of recovery
- Indicate the estimated net worth of the lessee or guarantors using the following codes:
- | | |
|--------------------------|---------------------------|
| 1) - \$0 | 4) - \$50,001 - \$100,000 |
| 2) - \$1 - \$10,000 | 5) - Over \$100,000 |
| 3) - \$10,001 - \$50,000 | 6) - Not known |
- Indicate if a judgment was obtained. If so, indicate the date of the judgment, the amount of the judgment relative to the capital lease, and the interest rate specified in the judgment for the capital lease.
16. Enter the date of default defined as the day on which the lessee failed to comply with any material condition of the capital lease.
 17. Enter the date the lessor has given the lessee to comply with, in the notice of default .

INSTRUCTIONS

18. Enter the annual imputed rate of interest effective at the compliance date in the notice of default.
19. Enter the outstanding balance of the current capital lease at the compliance date in the notice of default.
20. Enter the outstanding balance of all registered and unregistered capital leases and loans of the lessee, including the current capital lease, at the compliance date in the notice of default.
21. Divide the current capital lease amount (Line 19) by the total amount of all registered and unregistered capital leases (Line 20).
22. Enter the monthly payment amount and the number of overdue payments, at the compliance date in the notice of default, in order to establish the total amount of overdue payments.
23. Enter the monthly payment amount and the number of all monthly future payments due at the compliance date in the notice of default. Calculate the net present value of the amount of all future payments due using the annual imputed rate of interest effective at the compliance date in the notice of default.
24. Enter the lesser of the present value of (A) or (B). Enter the amount set out in the capital lease and the number of months left in the lease. Calculate the present value of the amount, using the annual imputed rate of interest effective at the compliance date in the notice of default:
 - (A) residual value of equipment
 - (B) bargain purchase option price of equipment
25. Add lines 22, 23, and 24 to obtain the outstanding balance of the capital lease.
26. Do not calculate the interest due as per Capital Leasing Regulations. The interest will be calculated by the the Small Business Loans Administration when paying the claim for loss.
27. Enter the uncollected taxed costs incurred and paid in respect of legal proceedings for the capital lease. Deduct any refundable tax or credit. Provide a detailed list if there is more than one single cost.

Enter the appropriate method of sharing that best describe the way the cost was applied to the capital lease; if there is more than one method of sharing, provide a detailed list:

 - 1 - cost belonging to the capital lease only;
 - 2 - cost pro-rated on the basis of the amounts realized for each capital lease or loan;
 - 3 - cost pro-rated on the basis of the outstanding balance of each capital lease or loan; or
 - 4 - cost pro-rated on the basis of the amount of each capital lease or loan stated in the judgment.

Enter the applicable percentage of sharing and apply this percentage to the total cost amount in order to arrive at the cost applicable to the capital lease. If there is more than one percentage of sharing, provide a detailed list.
28. Enter the total legal fees and disbursements incurred and paid by the lessor in realizing or attempting to realize on the capital lease. Deduct any refundable tax or credit. Provide a detailed list if there is more than one single cost.

Enter the appropriate method of sharing that best describe the way the cost was applied to the capital lease; if there is more than one method of sharing, provide a detailed list:

 - 1 - cost belonging to the capital lease only;
 - 2 - cost pro-rated on the basis of the amounts realized for each capital lease or loan;
 - 3 - cost pro-rated on the basis of the outstanding balance of each capital lease or loan; or
 - 4 - cost pro-rated on the basis of the amount of each capital lease or loan stated in the judgment.

Enter the applicable percentage of sharing and apply this percentage to the total cost amount in order to arrive at the cost applicable to the capital lease. If there is more than one percentage of sharing, provide a detailed list.
29. Enter the other costs incurred and paid by the lessor in realizing or attempting to realize on the capital lease. Deduct any refundable tax or credit. Provide a detailed list if there is more than one single cost.

Enter the appropriate method of sharing that best describe the way the cost was applied to the capital lease; if there is more than one method of sharing, provide a detailed list:

 - 1 - cost belonging to the capital lease only;
 - 2 - cost pro-rated on the basis of the amounts realized for each capital lease or loan;
 - 3 - cost pro-rated on the basis of the outstanding balance of each capital lease or loan; or
 - 4 - cost pro-rated on the basis of the amount of each capital lease or loan stated in the judgment.

Enter the applicable percentage of sharing and apply this percentage to the total cost amount in order to arrive at the cost applicable to the capital lease. If there is more than one percentage of sharing, provide a detailed list.

INSTRUCTIONS

30. Add lines 25 to 29 to obtain the amount of gross loss before deductions.

31. Enter the date of realization and the total proceed amount of each realization. Deduct any refundable tax or credit.

Enter the appropriate realization code:

- | | |
|---------------------------------|---|
| 1) - Residual value - equipment | 6) - Other assets of the small business of the lessee |
| 2) - Sale - equipment | 7) - Personal guarantees or suretyships |
| 3) - New lease - equipment | 8) - Corporate guarantees or suretyships |
| 4) - Prior ranking - equipment | 9) - Personal liability |
| 5) - Software | 10) - Miscellaneous |

Enter the appropriate method of sharing that best describe the way the proceed was applied to the capital lease:

- 1 - proceed belonging to the capital lease only;
- 3 - proceed pro-rated on the basis of the outstanding balance of each capital lease or loan; or
- 4 - proceed pro-rated on the basis of the amount of each capital lease or loan stated in the judgment.

Enter the applicable percentage of sharing and apply this percentage to the total amount of proceed in order to arrive at the proceed applicable to the capital lease.

32. Add all the proceeds applicable to the capital lease.

33. Subtract the total proceeds (Line 32) from the gross loss before deductions (Line 30).

34. If submitting an interim claim for loss, enter the applicable category code from the list below. Enter the appropriate holdback amount:

- 1) - Full amount of the personal guarantee or suretyship;
- 2) - Full amount of the corporate guarantee or suretyship;
- 3) - Uncollected amount of the compromise settlement with the personal guarantor;
- 4) - Uncollected amount of the compromise settlement with the corporate guarantor; or
- 5) - Uncollected amount of the compromise settlement with the lessee.

35. Subtract line 34 (holdback) from line 33 (loss before holdback) to obtain the amount claimed.



**CAPITAL LEASING REGULATIONS
NOTICE OF IMPROVEMENTS TO THE ORIGINAL EQUIPMENT**

- Notes: 1) "CAPITAL LEASING REGULATIONS" means the Canada Small Business Financing (Establishment and Operation of Capital Leasing Pilot Project) Regulations.
 2) "CAPITAL LEASE" means the capital lease registered under the Capital Leasing Regulations.
 3) Please read the attached INSTRUCTIONS and fill in all of the lines or use N/A if not applicable.
 4) The form must be submitted within 3 MONTHS following the date on which the amendment to the capital lease was made.

CAPITAL LEASE IDENTIFICATION

1 Lessor's Name	2 Industry Canada Identification No.	3 Lessee's Name
-----------------	--------------------------------------	-----------------

4 Ind. Canada Capital Lease Registration No.	5 Original Date Capital Lease Entered Into Year Month Day	6 Original Total Financing Amount of Capital Lease \$
--	--	--

7 Date on which the amendment to the capital lease was entered into:	Year	Month	Day
--	------	-------	-----

A) DETAILED COST OF THE IMPROVEMENTS

8. Cost of improvements to the original "Purchase price of new equipment"	+	\$
The lesser of a) or b)		
9. a) Cost of improvements to the original "Purchase price of used equipment"	\$	+
b) Fair market value of improvements to the used equipment	\$	+
10. Additional costs necessary for the operation of the improved equipment	+	\$
11. Cost of software related to the operation of the improved equipment, if applicable	+	\$
12. Non-refundable taxes and customs duties for the improvements to the equipment	+	\$
13. Total cost of improvements (total of Lines 8 to 12)	=	\$

Additional Financed Cost of Equipment

14. Total cost of improvements to the original "Cost of equipment" (Line 13)	+	\$
15. Deduct: Cost of improvements not financed, if applicable	-	\$
16. Additional "Financed cost of equipment" (Line 14 less Line 15)	=	\$

Registration Fee

17. Additional registration fee due (2% of Line 16) - Cheque payable to Receiver General (do not round to nearest dollar)	\$	
---	----	--

B) OUTSTANDING BALANCE OF CAPITAL LEASE

18. Outstanding balance of the capital lease before its amendment	+	\$
19. Cost of improvements to original "Financed cost of equipment" (Line 16)	+	\$
20. Additional "Registration fees included in the capital lease" (optional, but if financed, cannot exceed Line 17)	+	\$
21. New outstanding balance of the capital lease after its amendment	=	\$

IC 2881e (2002/01)



Capital Lease Registration No.
Industry Canada

(C) DETAILED CALCULATION OF THE REVISED PAYMENTS

22.	Revised total "Purchase price of new equipment"		+	\$
The lesser of a) or b)				
23.	a) Revised total "Purchase price of used equipment"	\$	+	\$
	b) Revised total "Fair market value of the used equipment"	\$		
24.	Revised total "Additional costs necessary for the operation of the equipment"		+	\$
25.	Revised total "Cost of software related to the operation of the equipment"		+	\$
26.	Revised total "Non-refundable taxes and customs duties"		+	\$
27.	Revised total "Cost of equipment" (total of Lines 22 to 26) (cannot exceed \$250,000)		=	\$
28.	Deduct: Revised total "Amount not financed", if applicable		-	\$
29.	Revised total "Financed cost of equipment" (Line 27 less Line 28) (cannot exceed 100% of Line 27)		=	\$
30.	Revised total "Registration fees included in the capital lease" (if financed, cannot exceed 2% of Line 29)		+	\$
31.	Revised total "Total financing amount of the capital lease" (Line 29 plus Line 30) (cannot exceed \$250,000)		=	\$
32.	Deduct: the lesser of the revised residual value or the revised bargain purchase option price of the equipment, if applicable		-	\$
33.	Revised total "Amount to be amortized" (Line 31 less Line 32)		=	\$
34.	Original "Annual imputed rate of interest"	$\frac{\quad}{\text{Gov. of Canada bonds}} \%$	+	$\frac{\quad}{\text{Cannot exceed 13.25\%}} \%$ =
35.	Revised "Term of the capital lease", in months (cannot exceed 120 months from date in Line 5)	▶		
36.	Revised "Basic monthly capital lease payment"		=	\$
37.	GST / HST		+	\$
38.	PST		+	\$
39.	Revised "Total monthly capital lease payment"		=	\$

LESSOR'S ACKNOWLEDGEMENT

I, the responsible officer of the lessor, acknowledge that:
a) to the best of my knowledge, the information contained herein is complete and accurate; and
b) the capital lease complies with all the eligibility requirements of the Canada Small Business Financing (Establishment and Operation of Capital Leasing Pilot Project) Regulations.

Fraudulent activities in respect of capital leases registered under the Capital Leasing Regulations could be subject to sanctions under the Criminal Code.

Name and Title of Responsible Officer of the Lessor (print)		Signature		Date		
				Year	Month	Day
Telephone No.	Extension	Fax No.	E-mail Address			

LESSOR'S CHEQUE PAYABLE TO "RECEIVER GENERAL FOR CANADA".
Send this form with the cheque to:

Capital Leasing Pilot Project
Small Business Loans Administration
235 Queen Street
Ottawa, Ontario K1A 0H5
Tel.: (613) 954-5540 Fax: (613) 952-0290
Email: csbfa-lfpec@ic.gc.ca
Internet: strategis.gc.ca/csbfa

INSTRUCTIONS TO LESSOR

1. Enter the name of the lessor.
2. Enter the identification number assigned to the lessor (8 digits) by the Industry Canada.
3. Enter the name of the lessee.
4. Enter the capital lease registration number (7 digits) assigned to the capital lease by Industry Canada.
5. Enter the date the capital lease was originally signed.
6. Enter the original "Total financing amount of the capital lease".
7. Enter the date on which the amendment to the capital lease was entered into. The lessor has to submit this form within 3 months after that date.
8. Enter, if applicable, the cost of improvements to the original "Purchase price of the equipment".
9. Enter, if applicable, the lesser of the following:
 - a) Cost of improvements to the original "Purchase price of the used equipment".
 - b) Fair market value of the improvements on the day on which the amendment to the capital lease is entered into.
10. Enter, if applicable, the additional costs necessary for the operation of the improvement to the equipment.
11. Enter, if applicable, the cost of software related to the operation of the improvement to the equipment.
12. Enter, if applicable, the non-refundable taxes and custom duties for the improvements to the equipment.
13. Add Lines 8 to 12 in order to get the total cost of improvements.
14. Enter the cost of improvements to the original "Cost of equipment" (Line 13).
15. Enter, if applicable, the amount of improvements not financed under the capital lease (e.g.: down payment or financing by another capital lease).
16. Deduct Line 15 from Line 14 in order to get the additional "Financed cost of equipment".
17. Enter the amount of additional registration fee that is due for the cost of improvements to the original "Financed cost of equipment". It must represent 2% of Line 16. The lessor must include a cheque payable to the "Receiver General for Canada" with the submission of this form.
18. Enter the outstanding balance of the capital lease before its amendment.
19. Enter the cost of improvements to the original "Financed cost of equipment" (Line 16).
20. Enter, if applicable, the amount of additional "Registration fees included in the capital lease". The financing of these additional fees is optional. If financed, the registration fee must be equal or lower than Line 17.
21. Add Lines 18 to 20 in order to get the new outstanding balance of the capital lease after its amendment.
22. Enter, if applicable, the total revised "Purchase price of the new equipment". This total must represent the original purchase price (according to Line 1 of the "Capital Lease Cost Form" submitted for the lease registration) plus the improvements (Line 9 of this form). The equipment must not be the subject of a conditional sale or a sale-lease back.
23. Enter, if applicable, the lesser of the following:
 - a) Total revised "Purchase price of the used equipment". This total must represent the original price (according to Line 2 a) of the "Capital Lease Cost Form" submitted for the lease registration) plus the respective improvements (Line 10 a) of this form). The equipment must not be the subject of a conditional sale or a sale-lease back; it must also have an economic life greater than the term of the capital lease.
 - b) Total revised "Fair market value of the used equipment". This total must represent the original value (according to Line 2 b) of the "Capital Lease Cost Form" submitted for the lease registration) plus the added value of the improvements (Line 10 b) of this form).
24. Enter, if applicable, the total revised "Additional costs necessary for the operation of the equipment". This total must represent the original cost (according to Line 3 of the "Capital Lease Cost Form" submitted for the lease registration) plus the improvements (Line 11 of this form). The financing of these costs is optional. Maintenance and training costs are ineligible.
25. Enter, if applicable, the total revised "Cost of software related to the operation of the equipment". This total must represent the original cost (according to Line 4 of the "Capital Lease Cost Form" submitted for the lease registration) plus the improvements (Line 12 of this form). The financing of these costs is optional.
26. Enter, if applicable, the total revised "Non-refundable taxes and custom duties". This total must represent the original cost (according to Line 5 of the "Capital Lease Cost Form" submitted for the lease registration) plus the improvements (Line 13 of this form). The financing of these costs is optional.
27. Add Lines 22 to 26 in order to get the total revised "Cost of equipment". This amount cannot exceed \$250,000.
28. Enter, if applicable, the total revised "Amount not financed under the capital lease" (e.g.: down payment or financing by another capital lease). This total must represent the original amount not financed (according to Line 7 of the "Capital Lease Cost Form" submitted for the lease registration) plus the present amount not financed (Line 15 of this form).
29. Deduct Line 28 from Line 27 in order to get the total revised "Financed cost of equipment". This amount must be equal or lower than the revised "Cost of equipment".

INSTRUCTIONS TO LESSOR

30. Enter, if applicable, the total revised "Registration fees included in the capital lease". This revised total must represent the original fees added to the capital lease" (according to Line 9 of the "Capital Lease Cost Form" submitted for the lease registration) plus the additional fees presently added (Line 20 of this form). The financing of these fees is optional. If financed, the registration fee must be equal or lower than 2% of the total revised "Financed cost of equipment" (Line 29).
31. Add Line 29 and Line 30 in order to get the total revised "Total financing amount of the capital lease". This amount cannot exceed \$250,000.
32. Enter, if applicable, the lesser of the revised residual value or the revised bargain purchase option price indicated in the capital lease.
33. Deduct Line 32 from Line 31 in order to get the total revised "Amount to be amortized".
34. Enter the original annual imputed rate of interest (according to Line 13 of the "Capital Lease Cost Form" submitted for the lease registration).
35. Enter, revised or not, the term of the capital lease (in months). Cannot exceed 120 months beginning on the day on which the capital lease was originally entered into (Line 6).
36. Calculate the total revised "Basic monthly capital lease payment" using the "Amount to be amortized" (Line 33), the "Annual imputed rate of interest" (Line 34), and the "Term of the lease" (Line 35).
37. Enter, if applicable, the amount of GST or the HST for those provinces where the taxes are harmonized with the GST.
38. Enter, if applicable, the amount of provincial tax.
39. Add Lines 36 to 38 in order to get the revised "Monthly capital lease amount" payable by the lessee.

ANNEXES

ANNEXES

ANNEX

Income Tax Act, section 251

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Section 251 Arm's length

(1) For the purposes of this Act,

- (a) related persons shall be deemed not to deal with each other at arm's length; and
- (b) a taxpayer and a personal trust (other than a trust described in any of paragraphs (a) to (e.1) of the definition of "trust" in subsection 108(1)) are deemed not to deal with each other at arm's length if the taxpayer, or any person not dealing at arm's length with the taxpayer, would be beneficially interested in the trust if subsection 248(25) would read without reference to subclauses 248(25)(b)(iii)(A)(II) to (IV); and
- (c) where paragraph (b) does not apply, it is a question of fact whether persons not related to each other are at a particular time dealing with each other at arm's length.

251 (2)

(2) **Definition of "related persons"**. For the purpose of this Act, "related persons", or persons related to each other, are

- (a) individuals connected by blood relationship, marriage or common-law partnership or adoption;
- (b) a corporation and
 - (i) a person who controls the corporation, if it is controlled by one person,
 - (ii) a person who is a member of a related group that controls the corporation, or
 - (iii) any person related to a person described in subparagraph (i) or (ii); and
- (c) any two corporations
 - (i) if they are controlled by the same person or group of persons,
 - (ii) if each of the corporations is controlled by one person and the person who controls one of the corporations is related to the person who controls the other corporation,

- (iii) if one of the corporations is controlled by one person and that person is related to any member of a related group that controls the other corporation,
- (iv) if one of the corporations is controlled by one person and that person is related to each member of an unrelated group that controls the other corporation,
- (v) if any member of a related group that controls one of the corporations is related to each member of an unrelated group that controls the other corporation, or
- (vi) if each member of an unrelated group that controls one of the corporations is related to at least one member of an unrelated group that controls the other corporation.

251 (3)

(3) **Corporations related through a third corporation**. Where two corporations are related to the same corporation within the meaning of subsection (2), they shall, for the purposes of subsections (1) and (2), be deemed to be related to each other.

251 (3.1)

(3.1) **Relation where amalgamation or merger**.

Where there has been an amalgamation or merger of two or more corporations and the new corporation formed as a result of the amalgamation or merger and any corporation would have been related immediately before the amalgamation or merger if the new corporation were in existence at that time, and if the persons who were the shareholders of the new corporation immediately after the amalgamation or merger were the shareholders of the new corporation at that time, the new corporation and any such predecessor corporation shall be deemed to have been related persons.

251 (3.2)

(3.2) **Amalgamation of related corporations**. Where there has been an amalgamation or merger of 2 or more corporations each of which was related (otherwise than because of a right referred to in paragraph (5)(b)) to each other immediately before the amalgamation or

merger, the new corporation formed as a result of the amalgamation or merger and each of the predecessor corporations is deemed to have been related to each other.

251 (4)

(4) Definitions concerning groups. In this Act, “related group” - “related group” means a group of persons each member of which is related to every other member of the group; “unrelated group” - “unrelated group” means a group of persons that is not a related group.

251 (5)

(5) Control by related groups, options, etc. For the purposes of subsection (2) and the definition “Canadian-controlled private corporation” in subsection 125(7),

- (a) where a related group is in a position to control a corporation, it shall be deemed to be a related group that controls the corporation whether or not it is part of a larger group by which the corporation is in fact controlled;
- (b) where at any time a person has a right under a contract, in equity or otherwise, either immediately or in the future and either absolutely or contingently,
 - (i) to, or to acquire, shares of the capital stock of a corporation or to control the voting rights of such shares, the person shall, except where the right is not exercisable at that time because the exercise thereof is contingent on the death, bankruptcy or permanent disability of an individual, be deemed to have the same position in relation to the control of the corporation as if the person owned the shares at that time,
 - (ii) to cause a corporation to redeem, acquire or cancel any shares of its capital stock owned by other shareholders of the corporation, the person shall, except where the right is not exercisable at that time because the exercise thereof is contingent on the death, bankruptcy or permanent disability of an individual, be deemed to have the same position in relation to the control of the corporation as if the shares were so redeemed, acquired or cancelled by the corporation at that time;

- (iii) to, or to acquire or control, voting rights in respect of shares of the capital stock of a corporation, the person is, except where the right is not exercisable at that time because its exercise is contingent on the death, bankruptcy or permanent disability of an individual, deemed to have the same position in relation to the control of the corporation as if the person could exercise the voting rights at that time, or

- (iv) to cause the reduction of voting rights in respect of shares, owned by other shareholders, of the capital stock of a corporation, the person is, except where the right is not exercisable at that time because its exercise is contingent on the death, bankruptcy or permanent disability of an individual, deemed to have the same position in relation to the control of the corporation as if the voting rights were so reduced at that time; and

- (c) where a person owns shares in two or more corporations, the person shall as shareholder of one of the corporations be deemed to be related to himself, herself or itself as shareholder of each of the other corporations.

251 (6)

(6) Blood relationship, etc. For the purposes of this Act, persons are connected by

- (a) blood relationship if one is the child or other descendant of the other or one is the brother or sister of the other;
- (b) marriage if one is married to the other or to a person who is so connected by blood relationship to the other;
 - (b.1) common-law partnership if one is in a common-law partnership with the other or with a person who is connected by blood relationship to the other; and
- (c) adoption if one has been adopted, either legally or in fact, as the child of the other or as the child of a person who is so connected by blood relationship (otherwise than as a brother or sister) to the other.

GLOSSARY

GLOSSARY

Act	<i>Canada Small Business Financing Act.</i>
Administration	Small Business Loans Administration.
Aggregate outstanding balance	<p>The aggregate, calculated on the day on which a capital lease is entered into or is amended as a result of improvements to the equipment, of:</p> <ul style="list-style-type: none"> a) the total financing amount of the capital lease; b) the outstanding balance of any other capital lease registered under the Regulations; and c) the outstanding loan amount referred to in subsection 4(3) of the Act.
Bargain purchase option	<p>A provision allowing the lessee, at its option, to purchase the equipment for a price that is sufficiently lower than the expected fair value of the equipment at the date the option becomes exercisable, so that at the inception of the lease, exercise of the option appears to be reasonably assured.</p> <p><small>(Source: <i>Canadian Institute of Chartered Accountants Handbook</i>)</small></p>
Borrower	<p>A person who carries on or is about to carry on a small business to whom a loan has been made under the <i>Canada Small Business Financing Act</i> or the <i>Small Business Loans Act</i>.</p>
Capital lease	<p>A lease or leasing under which a lessor provides equipment to a lessee for payment, meeting one of the following conditions:</p> <ul style="list-style-type: none"> a) the lease or leasing includes a bargain purchase option or provides for a transfer of ownership of the leased equipment to the lessee at the end of its term; b) the term of the lease or leasing is greater than 75 percent of the economic life of the equipment; and c) the net present value of the scheduled payments made under the lease or leasing, calculated using a discount rate equal to the annual imputed rate of interest used to determine the scheduled capital lease payments, is 90 percent or more of the cost of the equipment on the day the lease or leasing is entered into (i.e. the day on which it is signed by lessee and lessor). <p><small>(Sources: Regulations; <i>Canadian Institute of Chartered Accountants Handbook</i>)</small></p>
Control	<p>The holding of shares of a corporation to which are attached more than 50 percent of the votes necessary to elect a majority of its directors.</p>

Cost of the equipment	<p>a) For new equipment, the purchase price of the equipment provided to the lessee.</p> <p>b) For used equipment, the lesser of the purchase price of the used equipment and the fair market value of the used equipment on the day on which the capital lease is entered into.</p> <p>Either new or used equipment may include:</p> <p>a) the additional costs necessary for the operation of the equipment, other than maintenance and training costs;</p> <p>b) the cost of software related to the operation of the equipment; and</p> <p>c) non-refundable taxes and customs duties, if applicable.</p>
CSBFA	<i>Canada Small Business Financing Act.</i>
CSBFR	<i>Canada Small Business Financing Regulations.</i>
Economic life of the equipment	The estimated remaining period during which the equipment is expected to be economically usable by one or more users, with normal repairs and maintenance, for the purpose for which it was intended at the inception of the lease and without limitation by the lease term.
Financed cost of the equipment	The portion of the cost of the equipment used for the calculation of scheduled payments made under the capital lease.
Lease funder	A person who purchases or accepts an assignment of a capital lease.
Lessee	<p>A person who carries on or is about to carry on a small business in Canada, and who is a party to a capital lease. It does not include Her Majesty or an agent of Her Majesty in Right of Canada (i.e. the Government of Canada) or a province, a municipality, or a municipal or other public body that performs a function of government.</p> <p>For the purposes of this definition, a person includes a sole proprietor, a partnership and a corporation.</p> <p>A lessee cannot be a person having as its principal object the furtherance of a charitable or religious purpose, nor can a lessee be a farming enterprise.</p>
Lessor	<p>a) A member of the Canadian Payments Association established by subsection 3(1) of the <i>Canadian Payments Act</i>.</p> <p>In the case of a life insurance company, a securities dealer, a co-operative credit association, the trustee of a qualified trust, or a qualified corporation, on behalf of its money market mutual fund [paragraphs 4(2)(d) to (h) of the <i>Canadian Payments Act</i>], the member should provide, with its application to be a lessor, its Canadian Payments Association transit number and an auditor's certificate stating that the member has been a commercial lessor in Canada for the past 5 years.</p>

	<ul style="list-style-type: none"> b) A local co-operative credit society, within the meaning of subsection 2(1) of the <i>Canadian Payments Act</i>. c) A leasing company incorporated in Canada or a lease funder carrying on business in Canada, with a place of business in Canada, that: <ul style="list-style-type: none"> i) maintains a rating of BBB or better issued by a Canadian bond rating agency; or ii) participates in a securitization program approved by a Canadian bond rating agency. d) Any other organization designated by the Minister as a lessor for the purposes of these Regulations.
<p>Outstanding balance of a capital lease</p>	<p>The aggregate of:</p> <ul style="list-style-type: none"> a) the amount of any overdue payments; b) the net present value of all future payments due under the capital lease, discounted at the imputed rate of interest used in the calculation of the scheduled payments; and c) the present value, discounted at the imputed rate of interest used in the calculation of the scheduled payments, of the lesser of: <ul style="list-style-type: none"> i) the bargain purchase option price of the equipment; and ii) the residual value of the equipment set out in the Registration Form (see Forms Section) set out in the capital lease.
<p>Rate of interest of Government of Canada bonds</p>	<p>The rate of interest on Government of Canada bonds is determined as follows:</p> <ul style="list-style-type: none"> a) for a capital lease with a term of less than 3 years, by the 1- to 3-year Government of Canada marketable bonds average yield; b) for a capital lease with a term of 3 to 5 years, by the 3- to 5-year Government of Canada marketable bonds average yield; or c) for a capital lease with a term exceeding 5 years but not exceeding 10 years, by the 5- to 10-year Government of Canada marketable bonds average yield. <p>The rates of interest for Government of Canada marketable bonds can be found on the Bank of Canada Web site at:</p> <p>http://www.bankofcanada.ca/en/bonds.htm</p>

Regulations	<i>Canada Small Business Financing (Establishment and Operation of Capital Leasing Pilot Project) Regulations.</i>
SBLA	<i>Small Business Loans Act.</i>
Small business	<p>A business carried on or about to be carried on in Canada for gain or profit with an estimated gross annual revenue:</p> <ul style="list-style-type: none"> a) in the case of a business being carried on, not exceeding \$5 000 000 for the fiscal year of the business during which a capital lease is approved by a lessor, or a loan is approved by a lender, in respect of the business; or b) in the case of a business about to be carried on, that is not expected, at the time a capital lease is approved by a lessor or a loan is approved by a lender in respect of the business, to exceed \$5 000 000 for its first fiscal year of at least 52 weeks' duration. <p>Excluded is the business of farming or a business having as its principal object the furtherance of a charitable or religious purpose.</p>
Total financing amount of a capital lease	<p>The aggregate of:</p> <ul style="list-style-type: none"> a) the financed cost of the equipment; and b) the registration fee, if the fee has been financed and is set out in the registration form.

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The *Canada Small Business Financing Act* Capital Leasing Pilot Project is designed to build on the success of the Canada Small Business Financing Program. With this addition to the program, we hope to make capital leasing accessible to more small and medium-sized enterprises — especially new and younger businesses.

The Small Business Loans Administration has developed the following two manuals to help you better understand the Capital Leasing Pilot Project and its Regulations:

- *How to Use the Capital Leasing Pilot Project Regulations — A Self-Learning Tool for Lessors* provides an overview of the program as well as flowcharts and checklists to be used as guides; and
- *Capital Leasing Pilot Project Guidelines* describes the procedures and conditions for entering into capital leases, securing the government's agreement to share the losses, and maintaining that agreement for capital leases. In addition to a glossary and an index, the Guidelines contain three main sections:
 - eligibility criteria and procedures;
 - registration, administration and reporting; and
 - submission of a claim.

Also included are forms and an annex.

Both documents are also available in PDF and HTML formats on the Web at the following address:

<http://strategis.gc.ca/csbfa>

Our objective is to facilitate understanding of the Regulations. Any comments you have for improving these manuals would be appreciated.

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