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# An Invitation to Participate in Capital Leasing



*Canada Small Business Financing Act*

September 2001

Canada 

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## Invitation

Industry Canada is launching a five-year pilot project to test the viability and impact of sharing the risks of including equipment capital leases under the *Canada Small Business Financing Act* (CSBFA). The CSBFA currently covers term lending and is delivered in partnership with Canada's network of lending institutions.

We are inviting Canada's commercial lessors to consider participation in this pilot project. If the project proves successful, it will become a permanent part of the CSBFA and a critical element in the financing of small and medium-sized businesses (SMBs) in Canada.

Your participation will:

- allow you to reach a new, dynamic market segment; and
- help you to build business relationships with new clients.

**To indicate your interest in participating, please return the form provided on pages 7 and 8.**

## **A Win-Win-Win Opportunity**

This pilot project benefits the leasing community, SMEs and Canadians.

### **Leasing Community**

With shared risk, eligible lessors broaden their opportunities for attracting clients and meeting the needs of emerging businesses.

### **SMEs**

SMEs benefit from access to financing for the leasing of equipment — an option they may not otherwise be eligible for.

### **Canadians**

Businesses can grow and create jobs with the assistance of this cost-recoverable pilot project — and, in the process, help to build a more dynamic Canadian economy.

## **Building on Success**

More than 17 000 CSBFA loans totalling \$1.35 billion were made in 1999–2000 by some 1500 lenders across Canada.

The CSBFA Capital Leasing Pilot Project is designed to build on this success. Through it, we hope to ensure that capital leasing is accessible to more SMEs — especially new and younger businesses.

## Working Together

**Industry Canada** establishes the parameters for the pilot project.

It guarantees up to 85 percent of the lessor's eligible losses on capital leases in the event of default.

It measures pilot project performance and reports on results.

**Participating lessors** provide and administer capital leases to eligible SMEs. The CSBFA is a unique program, with streamlined administrative procedures. For example, no prior approval from Industry Canada is required for an accepted lessor to make a lease. Lessors must:

- apply their usual standards of credit-worthiness, with adjusted risk profile to reflect the target of younger, smaller firms;
- regularly report a few key program statistics; and
- collect and remit fees that are built into lease contracts to Industry Canada.



## How the Pilot Project Works

### ■ Step One: Getting Involved

- a) Interested lessors complete the enclosed form confirming their interest, and fax or mail it to Industry Canada.
- b) Industry Canada assesses the eligibility of each lessor's application.
- c) Lessors receive written acceptance with training kits and prepare for the project launch.

### ■ Step Two: Project Launch

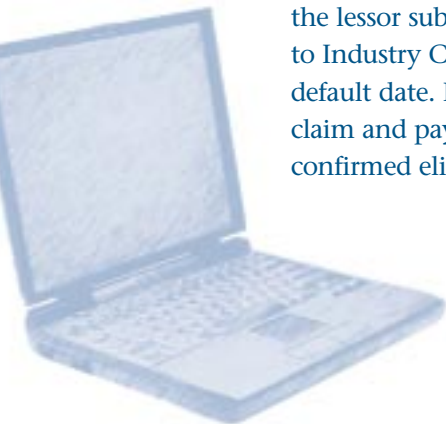
Participating lessors provide capital leases under the pilot project regulations.

### ■ Step Three: Lease Registration/ Fee Submission

Participating lessors register capital leases, collect the required fees from their clients and submit them to Industry Canada.

### ■ Step Four: Claims for Losses

In the event of default on a capital lease, the lessor submits a claim for eligible losses to Industry Canada within 36 months of the default date. Industry Canada reviews the claim and pays the lessor 85 percent of the confirmed eligible losses.



## Are you eligible to be a lessor under the CSBFA Capital Leasing Pilot Project?

A lessor must be one of the following:

- a member of the Canadian Payments Association\*;
- a leasing company that is incorporated in Canada and maintains a rating of BBB or better, issued by a Canadian bond rating agency;
- a leasing company that is incorporated in Canada and participates in a securitization program approved by a Canadian bond rating agency; or
- designated by the Minister of Industry in accordance with the *CSBFA Lessor Designation Policy*. For more information, contact Industry Canada.

## Which clients are eligible?

Small and medium-sized for-profit Canadian businesses can obtain a CSBFA capital lease from an accepted lessor provided their estimated annual gross revenues do not exceed \$5 million. Farming, charitable and religious enterprises are not eligible.

## Which leases are eligible?

Capital leases must be for new or used equipment necessary in the operation of the SME. Each SME can access a maximum of \$250 000 — the aggregate of all CSBFA loans, pilot project capital leases, plus loans under the *Small Business Loans Act*, extended to that borrower or related borrowers. The level of financing cannot exceed 100 percent of the cost of the equipment.

\* Changes to the *Canadian Payments Association Act* are pending. For further information, contact Industry Canada.

## For More Information

Capital Leasing Pilot Project  
Small Business Loans Administration  
Industry Canada

Tel.: (613) 954-5540

Fax: (613) 952-0290

E-mail: [csbfa-lfpec@ic.gc.ca](mailto:csbfa-lfpec@ic.gc.ca)

Visit the CSBFA Web site at:

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



## Confirmation of Interest

We are interested in participating in this pilot project and would like more information. Our company *(please check where applicable)*:

- is a member of the Canadian Payments Association
- holds a rating of BBB or better
- participates in a securitization program
- wants to be designated by the Minister of Industry.

Organization Title: \_\_\_\_\_

Address: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Transit No.  
*(if applicable)*: \_\_\_\_\_

Contact Person: \_\_\_\_\_

Address  
*(if different)*: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Tel.: \_\_\_\_\_

Fax: \_\_\_\_\_

e-mail: \_\_\_\_\_

*Please also fill out page 8.*

## Confirmation of Interest *(cont.)*

Type of equipment leased (*check applicable box[es]*):

- |   |  |
|---|--|
| <input type="checkbox"/> Automobiles                      | <input type="checkbox"/> Computers               |
| <input type="checkbox"/> Trucks, trailers,<br>buses, etc. | (hardware, software)                             |
| <input type="checkbox"/> Construction                     | <input type="checkbox"/> Forestry                |
| <input type="checkbox"/> Hotel and restaurant             | <input type="checkbox"/> Manufacturing           |
| <input type="checkbox"/> Materials handling               | <input type="checkbox"/> Medical/health          |
| <input type="checkbox"/> Mining and petroleum             | <input type="checkbox"/> Ships and water vessels |
| <input type="checkbox"/> Office furniture<br>and fixtures | <input type="checkbox"/> Telecommunications      |
| <input type="checkbox"/> Store furniture<br>and fixtures  | <input type="checkbox"/> All of the above        |
|   | Other ( <i>please specify</i> ):<br>_____        |

Number of branches per province/territory:

British Columbia	_____	New Brunswick	_____
Alberta	_____	Nova Scotia	_____
Saskatchewan	_____	Prince Edward Island	_____
Manitoba	_____	Yukon	_____
Ontario	_____	Northwest Territories	_____
Quebec	_____	Nunavut	_____

### **FAX OR MAIL THIS FORM 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