GLOSSARY

ACRS

Accelerated Cost Recovery System. The US tax-law (vide Economic Recovery Tax Act of 1981) have already given up the concept of depreciation and have adopted the new method of Accelerated Cost Recovery, under which, irrespective of the economic life of the asset, the cost of the asset may be amortised as per the rules.

Accelerating Rentals

Where rate of rentals is lower in the initial or gradually increasing towards later years.

Additions

Structures and enhancements which may be installed on leased equipment, usually subject to removal by the lessee. However, the lessor owns additions subject to the right to removal.

Advance Rent

A general term to describe any rent which precedes the base lease term and base lease rent.

Alterations

A modification to leased equipment, generally subject to restoration at the conclusion of the lease.

Assignment

Transfer of legal title. In leasing, a transfer of the lessor's interest in a lease and the leased equipment to a transferee such as a financial institution or any entity assuming the lessee position. A lessee is usually prohibited from assigning its interest in a lease without the lessor's consent. Also used in leveraged leasing to denote transfers of the first security interest in lease rentals to a security trustee for the benefit of creditors.

At-risk Investment

In a leveraged lease, the part of the lease which is financed by the owner's equity or a recourse debt is the total lease value minus the non-recourse debt (which is not "at-risk" since it is non-recourse to the lessor).
Balloon Lease

One is that is expected to leave a zero residual value at the end of the lease period. Sometimes also used to mean a lease in which the rate of rentals is low at the inception, high during the mid-year, and low during the end.

Balloon Payment

In a balloon lease, the large payment corresponding to the residual value which is to be paid at the termination of the lease.

Bargain Purchase Option

A provision allowing the lessee, at his option, to purchase the leased asset for a price which is sufficiently lower than the expected fair market value (at the date such option becomes exercisable). In India, such option cannot be a clause in the agreement.

Bargain Renewal Option

A provision which allows the lessee, at its option, to renew the lease for a rental sufficiently lower than the expected fair rental for the property at the time the option becomes exercisable so that the exercise of the option appears, at the inception of the lease, to be reasonably assured.

Base Rent

Rental paid during the base term of the lease.

Base Term

The basic term of the lease used by the lessor in computing payout and relied upon by the lessee as the minimum time period during which the lessee will have the use and custody of the equipment.

Base Term Commencement Date

The date on which the base term of the lease commences.

Basic Rent

Same as Base Rent.

Bond

A certificate evidencing indebtedness.
Broker
in intermediary who arranges lease deals.

Burdensome Buy-out Clause
Where the escalation clause or an indemnity clause in a lease agreement becomes enforceable, the lessor must be provided with an alternative to avoid such clauses and purchase the asset at a price sufficiently higher than the termination value. Such clause is called burdensome buy-out clause, and such buy-out is called burdensome buy-out.

Call
An option to purchase an asset at a set price at some particular time in the future. Care must be used in negotiating a purchase option or call in a lease agreement. If this is done improperly, many of the advantages of a true lease (such as tax savings) will be disallowed by the Internal Revenue Service.

Cancellable Lease
An operating lease designed for fast technology where the lessee is given an option to cancel the lease after giving a certain period's notice and paying a prescribed penalty. Such leases avoid the obsolescence for the lessees.

Capital Cost Recovery Allowances
Tax depreciation deductions.

Captive Leasing Companies
A leasing company, usually a subsidiary of the manufacturer or manufacturing company, used to promote the sale of capital goods manufactured by another company. Also, sales-aids leasing.

Certificate of Acceptance
A document whereby the lessee acknowledges that the equipment to be leased has been delivered to him acceptable to him, and has been manufactured or constructed in accordance with specifications.

Certificate of Delivery & Acceptance
Same as certificate of acceptance.
Claw Back

British term to describe a taxpayer paying back to the government an amount equal to tax benefit previously claimed, such as depreciation deduction.

Closed-End Lease

A true lease in which the lessor assumes the risk of depreciation and residual value. The lessor has little or no obligation at the conclusion of the lease. Usually a net lease in which the lessor maintains, insures and pays property taxes on the equipment. The term is used to distinguish a lease from an open-end lease, particularly in automobile leasing.

Commencement Date

The first day of the basic lease term.

Conditional Sale

A transaction for purchase of an asset in which lessor, for income tax purpose, is treated as the user of the equipment at the outset and throughout the life of the transaction. Also called a conditional sale or a lease intended as security.

Conditional Sale Lease

A lease which in substance is a conditional sale (sometimes called a hire-purchase agreement, money lease or a lease intended as security).

Consumer Leasing

Defined by the US Consumer Leasing Act. A contract in the form of a lease or bailment for the use of personal property by a natural person for a term of time exceeding four months, and for contractual obligation not exceeding four years, primarily for personal or household purposes, where or not the lessee has the option to purchase or otherwise become the owner of the property at expiration...

Contingent Rentals

Rentals in which the payment of rent are determined upon some factor other than passage of time.

Cross-border Leasing

Leasing across national frontiers. Overseas leasing.
Dealer Leasing

Leasing of goods by a person who deals in such goods, usually to promote the sale of the goods.

Debt Service

Payment of principal and interest due lenders.

Default

An event defined in a lease agreement as a default, such as failure to pay rent or perform some obligation required under the terms of a lease.

Direct Investor

Refers to the lessor in a direct financing lease.

Direct Lease

Non-leveraged lease. See leveraged lease.

Discounted Leases

Leases sold or assigned at discounted face value by a bank or finance company. The discount rate reflects the interest rate and collection risk.

Double Dip Lease

A lease which utilizes tax benefits or funding incentives from two sources, usually two countries.

Economic Life of Leased Property

The estimated period during which the property 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.

Equity Participant

An equity participant is the same as an equity participant, trustor owner, or grantor owner.

Escalation Clause

A clause in lease agreements which provides that lease rentals shall increase on certain events, e.g., on increase in interest rate or on availability of certain tax benefits.
Estimated Residual Value of Leased Property

The estimated fair value of the property at the end of the lease term.

Event of Default

A circumstance defined as a default.

Expected Liens

Those liens which a lessee may suffer to exist in the leased property without being in default on its general obligation to keep the leased property free of liens.

Typical "expected liens" include the lien of the mortgage in favour of the Indenture Trustee, the right of the Owner Participants under the Owner Trust Agreement, and mechanics, materialmen's and tax liens to the extent amounts secured thereby are not yet due and payable or are being contested in good faith.

Excepted Payments

This refers to payments required to be made by the lessee under indemnity clauses in favour of the Equal Participants or the Owner Trustee which are not subject to any lien in favour of the Indenture Trustee or the Loan Participants. The scope of "expected payment" is customarily a matter for negotiations between Equal Participants and Loan Participants.

Extended Term Agreement

An agreement to renew a lease, commonly used to describe a guaranteed renewal of a lease by a third party.

Fair Market Purchase Option

An option to purchase leased property at the end of lease at its then fair market value.

Fair Market Rental Value

The expected rental for equivalent property under similar terms and conditions.

Fair Market Sales Value

The expected selling price in an arms length transaction between a willing buyer and a willing seller for equivalent property under similar terms and conditions.
FAS 13

Financial Lease

A financing device whereby a user can acquire use of an asset for most of its useful life, rentals being paid to the lessor and the user being responsible for maintenance, taxes and insurance.

Financing Agreement

An agreement between the owner trustee, the lenders, the equity participants, and the lessee, which spells out the obligations of the parties under a leveraged lease. Also called participation agreement.

First User

Person which first places equipment into service. Tax benefits associated with original ownership of equipment flow to the owner at time of first use.

Flat Rentals

Equal rentals over the term of the lease. Also called level rentals.

Floating Rental Rate

Rental which is subject to upward or downward adjustments during the lease term. Floating rates sometimes are adjusted in proportion to the prime interest rate or commercial paper rate changes during the term of the lease.

Full Pay-out Lease

A lease in which the total of lease payments (i.e. without dependance on guaranteed residual value or purchase option) pays back to the lessor enough to cover the entire cost of the asset together with financing and administration costs.

Full Service Lease

This type of lease obligates the lessor to provide maintenance, repair and insure the leased equipment.
The lessor also pays the property taxes. Full service leases are nearly always true leases in which the lessor owns the equipment at the end of the lease.

Gross Investment in the Lease

The aggregate of lease rentals and the residual value. See also net investment in a lease, finance charges.

Guaranteed Residual

A residual value guaranteed by the lessee. The lessor agrees to meet the deficit, but surplus, if any, may not be passed to the lessee.

Hell-or-High-Water Clause

A clause in a lease which reiterates the unconditional obligation of the lessee to pay rent for the entire term of the lease, regardless of any event affecting the equipment or any change in the circumstances of the lessee. The term is derived from provisions which are common in unconditional long term leases of ship (bareboat charters).

High-Low Debt

Leveraged debt with higher payments early in the term than later in the lease.

High-Low Rent

A lease in which rents are higher early in the term than later in the term.

Hire-Purchase Agreement

An agreement under which goods are let on hire and under which the hirer has an option to purchase them in accordance with the terms of the agreement.

Inception of Lease

The date the lease commitment or agreement is signed. But if on such date the subject, i.e., the property to be leased has not been constructed or acquired by the lessor, the date of such construction or acquisition shall be the date of inception of the lease.

Incipient Default

An event or condition which, after the giving of notice or the lapse of time or both, would become an event of default under a lease or a mortgage, entitling the
lease to be terminated or the mortgage is foreclosed.

**Incremental Borrowing Rate**

The interest rate which a person would expect to pay for an additional borrowing at interest rates prevailing at the time.

**Indemnity Agreement**

When used in the context of leveraged leases, an agreement whereby the owner participants and the lessee indemnify the trustees from liability as a result of ownership of the leased equipment.

**Indemnity Clauses**

Refers to indemnity provisions in a lease. There are three standard indemnity sections in a leveraged lease financing: the general tax indemnity; and the special tax indemnity. In leveraged leases, the tax indemnity clauses can be quite lengthy and are sometimes contained in a special supplement to the lease agreement.

**Indenture Trustee**

Some leveraged leases have a separate indenture trustee in addition to an owner trustee. The indenture trustee holds the security interest in the leased equipment for the benefit of the lenders. In the event of default, the indenture trustee exercises the rights of mortgagee. The indenture trustee also is responsible for receiving rent payments from the lessee and using such funds to pay the amounts due the lenders, with the balance being paid to the owner trustee. The indenture trustee sometimes verifies that correct filings are made to protect the security interest of the lenders, although the lessee usually is obligated to cause the delivery of annual opinions of counsel as to continued perfection. The bond register is maintained by the indenture trustee, who also acts as transfer agent.

**Indenture of Trust**

An agreement between the owner trustee and the indenture trustee whereby the owner trustee mortgagess the equipment and assigns the lease and rental payments under the lease as security for amounts due to the lenders. (Occasionally, particularly in maritime financing, the owner Trustee will mortgage the leased property to the Indenture Trustee under a maritime mortgage instrument, separate from but subject to the
Indenture of Trust. The same as a security agreement for mortgage.

Indenture Trust

Same as an Indenture of Trust.

Independent Lessor

Any leasing company investing in leases, also, broker without funds to invest in leases sometimes prefer to call themselves "independent lessors" rather than "brokers".

Indexed Leases

Leases, usually of real-estate, where the rental is to escalate based upon price indices.

Individual Tax-shelters

Leasing resorted to by individuals in high-tax brackets mainly for tax-advantages.

Initial Direct Costs

Costs incurred by a lessor directly associated with negotiating and completing a transaction. They include commissions, legal fees, costs of underwriting, documentation costs, allocable sales expenses (including salaries other than commission), and similar expenses; but specifically exclude non-recurring administrative or other indirect or overhead expenses.

Initial Term

The initial period of time for which equipment is leased exclusive of renewals.

Inspection

Lessor usually has a right to inspect leased equipment on the leased equipment on the lessor's premises, to determine its condition and location.

Institutional Investors

Investors such as banks, insurance companies, pension funds, foundations, and educational, charitable and religious institutions.
Insured Value

A schedule included in a lease which states the value of equipment at various times during the term of the lease, and establishes the liability of the lessee to the lessor in the event the leased equipment is lost or rendered unusable during the lease term due to casualty loss. However, parties to a lease may object to this term since owner participants may, because of inflation, insure leased equipment for amounts substantially in excess of the Stipulated Value, at least toward the latter portion of the lease term. Accordingly, the use of Insured Value as a substitute for Stipulated Loss Value contains an implication which may be contrary to the fact and which perhaps should be avoided.

Interest Rate Implicit in a Lease

The discount rate which, when applied to minimum payments, causes the aggregate present value at the beginning of the lease term to be equal to the market value of the leased property at the inception of the lease.

Interim Rent

Daily rental accruing from delivery, accrued, and funding until a later starting date for the base term. Often used when a number of items of equipment to be leased under a single lease are delivered over a period of time.

Interim Term

The term of a lease between delivery of equipment and the start of the base term. This sometimes occurs where there are a number of deliveries of equipment at various times to be later combined into one lease.

Investment Allowance

Income tax concession available for investment in plant and machinery in certain industrial undertakings.

Land and Building Lease

A real-estate lease, in which the land and building are both leased. Other types are land, building, equipment lease, land-only lease etc.

Lease Line
A lease line of credit similar to a bank line of credit which allows a lessee to add equipment as needed, under the same basic terms and conditions, without negotiating a new lease.

**Lease Multiple**

The number of lease payments due a lessor against which a lender is willing to lend. It reflects the lender's assumptions as to interest rate, cash flow, and credit and other variables.

**Lease Rate**

The equivalent simple annual interest rate implicit in minimum lease rentals. (Not the same as Interest Rate implicit in a lease.)

**Lease Term**

The fixed, non-cancelable term of the lease. Includes, for accounting purposes, all periods covered by fixed-rate renewal options which for economic reasons appear likely to be exercised at the inception of the lease. Includes for tax purposes, all periods covered by fixed-rate renewal options.

**Lease Underwriting**

An agreement whereby a packager commits firmly to enter into a lease on certain terms and assumes the risk of arranging any financing.

**Lessee**

The user of the equipment being leased.

**Lessor**

The owner of equipment which is being leased to a lessee or user.

**Leveraged Lease**

A true lease or a finance lease which meets the definition criteria for a direct financing lease or capital lease, plus all of the following characteristics:

a. At least three parties are involved: a lessor, a lessor, and a long-term lender;
b. The financing provided by the lender is substantial to the transaction and will not provide recourse to the lessor; and

c. The lessor’s net investment typically declines during the early years of the lease and rises during the later years of the lease.

Lien

A security interest on property to evidence a debt.

Limited Partnership

Leases in which individuals act as lessors or frequently structured as limited partnerships. In theory, the investors’ liability is limited to the investment. However, the “at risk” rules limit deductions to the sum at risk, thus necessitating recourse on the leveraged debt by individual investors. Limited partnerships may be private placements or public offerings.

Limited Use Property

The same as Special Purpose Property.

Loan Certificates

Debt certificates, notes, or bonds issued by the owner trustee to lenders.

Loan Participant

A lender in a leveraged lease; a holder of debt in a leveraged lease evidenced by loan certificates, notes, or bonds issued by the owner trustee.

Low Ball Bid

A bid to enter into or to arrange a lease transaction which is purposely priced below market or which is not acceptable from a tax or accounting standpoint, with a view to renegotiation of a higher price and/or more expensive terms at a later date. Once that interest is awarded, the other interested lessors may no longer be available. Typically, the low ball bidder raises the price or strengthens the terms when it is too late for the lessee to seek other leasing sources.

Low-High Debt
Leveraged debt with lower payments early in the lease than later in the lease.

Low-High Rent

A lease in which rent payments are lower early in the lease than later in the lease.

Manufacturer's Bill of Sale

The bill of sale from the manufacturer or supplier of the property to be leased in favour of the Owner Trustee, usually containing the manufacturer's warranty that the Owner Trustee has received good title to the equipment being purchased by it.

Master Lease

A lease line of credit which allows a lessee to add equipment to a lease under the same basic terms and conditions without negotiating a new lease contract.

Minimum Investment

For lease to be a true lease, the lessor must have a minimum "at risk" investment of at least 20 percent in a lease when the lease begins, ends, and at all times during the lease term.

Minimum Lease Payments for the Lease

All payments the lessee is obligated to make or can be required to make in connection with leased property, including residual value guaranteed by the lessor and bargain renewal rents or purchase options.

Minimum Lease Payments for the Lessor

The payments considered minimum lease payments for the lessee plus any guarantee by a third party of the residual value or rental payments beyond the lease term.

More Likely Than Not Option

More likely than not options by attorneys indicate that better than even chance some event will occur. Usually used in connection with individual tax shelter schemes to avoid fraud or negligence charges against a promoter.
Mortgage

agreement between the owner trustee and the indenture trustee whereby the owner trustee mortgages the equipment to the Indenture Trustee or creates a security interest in the equipment in favour of the Indenture Trustee. In either case it is security for amounts due the Loan Participants.

Multiple Investment Sinking Fund Method

A popular method of leveraged lease analysis which breaks down the net cash flows into non overlapping investment and sinking fund phases.

Net Investment in the Lease

The gross investment in the lease less unearned finance income.

Net Lease

In a net lease, the rentals are payable net to the lessor. All costs in connection with the use of the equipment are to be paid by the lessee and are not a part of the rental. For example, property taxes, insurance and maintenance are paid directly by the lessee. Most capital leases and direct financing leases are net leases.

Non-payout Lease

A lease in which cash flows from rents and nominal residual value are insufficient to cover the cost of financing and administration of the lease. The lessor relies upon a renewal or lease of equipment recover its investment to realize a profit.

Non-recourse Debt

In a leveraged lease the lenders cannot look to the lessor in the event of failure to repay. The lender's loans are secured by an assignment of the residual value of the lease and a collateral lien on the equipment.

Non-renewal Penalty

As an alternative of a residual value at the end of the lease period, the lease agreement may impose upon the lessee a penalty on failure to get the lease renewed.
Off-Balance Sheet Financing

Leasing is called an off-balance sheet financing method since the lease obligations do not appear on the lessee's balance sheet.

Open-End Lease

A conditional sale lease in which the lessee guarantees the lessor will realize minimum value from the sale of the asset at the end of the lease. If the equipment is not sold for the agreed residual value, the lessee pays the difference to the lessor. If the equipment is sold for more than the agreed residual value, the lessor pays the excess to the lessee. The lease is called an "open-end" lease because the lessee does not know the extent of its liability to the lessor until the equipment is sold at the end of the lease. The lessee's ability is "open-ended". The term is commonly used in automobile leasing. Individual liability under open-end leases is limited by consumer protection laws.

Operating Lease

The definition depends upon the context in which it is used. For financial accounting purposes, under FAS 13, an operating lease is a lease which does not meet the criteria of a capital lease or direct financing lease. The term is also used generally to describe a short-term lease whereby a user can acquire use of an asset for a fraction of the useful life of the asset. The term is used for a lease in which the lessor provides services, such as, maintenance, insurance and payment of personal property taxes. The term "operating lease" is derived from short term leases of equipment in which an operator was provided by the lessor, such as leases of trucks and construction equipment.

Owner Participant

Owner participants are the beneficial owners under an Owner Trust of equipment which is the subject of the lease. Legal title to the property is held by the Owner Trustee/Equity Trustee, which may issue trust certificates to the Owner Participants as evidence of their beneficial interests in the leased property.

Owner Trustee

Also sometimes called grantor trustee. In a leveraged lease, the primary function of the owner trustee is to hold title to the equipment for the benefit of the equity participants. The owner trustee issues trust certificates to the equity participants, maintaining...
register, and acts as transfer agent for such certificates. The owner trustee issues bonds to lenders, receives distributions of rent payments from the indenture trustee, pays trustee fees due itself and the indenture trustee, and disburses amounts due the equity participants. The owner trustee may appropriate filings to perfect and protect the interest of lenders in collateral. Compliance certificates and other information required from the lessee under the lease are received by the owner trustee and distributed by the owner trustee to the other parties. The definition contemplates a separate indenture trustee will be named to perform duties for the leveraged vehicle holders. Some leverage leases have one trustee performing both functions.

Packager

Name used to describe the leasing company, investment banker, or broker who arranges a leveraged lease.

Packer

Another name for Packager.

Participation Agreement

An agreement between the owner trustee, the lessor, the equity participants, the manufacturer, and the lessee which spells out the obligations of the parties under a leveraged lease. Also called “financing agreement.”

Pay-Out Lease

A lease in which the lessor expects to receive the investment, plus interest, over the life of the lease from any or all of the following: rentals, cash flow from tax benefits and a modest expectation of residual value.

Payment Stream

In a lease, the rentals which are due.

Percentage Lease

Percentage lease requires the lessee to pay a certain amount of rent for each period plus a percentage of gross revenue received during the previous period. Such leases are common in real estate.

Percentage Rentals
The variable rentals in a percentage lease.

Permitted Liens

Same as Excepted Liens.

Present Value

The current equivalent value of cash available immediately for a future payment or a stream of payments to be received at various times in the future. The present value will vary with the discount factor applied to the future payments.

Profit Motive

The lessor in a true lease or finance lease must be able to show that the transaction is entitled into profit apart from the transaction's tax benefits (i.e., without consideration of the tax deductions, allowances, tax credits, and other tax attributes arising from the transaction.)

Purchase Agreement Assignment

Where the lessee has entered into a contract to purchase the equipment to be leased prior to arranging the financing, some or all of the lessor's rights under the purchase agreement (always including the right to take title to the equipment) are normally assigned by the lessee to the Owner Trustee pursuant to a "Purchase Agreement Assignment" prior to the delivery of the property by the manufacturer. There is usually annexed to the assignment a consent of the manufacturer or supplier, which confirms the availability to the Owner Trustee of the rights of the purchaser under the contract. In the case of a facility, also sometimes called a "Construction Contract Assignment".

Purchase Option

An option to purchase leased property at the end of the lease. In order to protect the tax character of a true lease, an option to purchase leased equipment from a lessor by a lessee which is granted at the beginning of a lease cannot be at a price less than fair market value at the time the right is exercised.

Put Option

Related Parties
In leasing transactions: an affiliate; a parent and its subsidiaries; an investor and its investees; provided the parent, owner, or investor has the ability to exercise significant influence over the financial and operating policies of the related party.

Renewal Option

An option to renew the lease at the end of the initial lease term. In order to protect the true lease characteristics of a true lease, an option to renew a lease of equipment from a lessor by a lessee which is granted at the beginning of the lease must be at a price equal to its fair rental value at the time the right is exercised. Other renewal option periods are counted as part of the lease term for guidance purposes.

Rent Holiday

A period of time in which the lessee is not required to pay rents. Typically, the rents are capitalized into the remaining lease payments.

Residual Dependence

A sensitivity measurement test which quantifies the extent to which a lease yield shall depend upon the residual value.

Residual Insurance

An insurance policy guaranteeing a certain residual value at the end of the lease term.

Residual or Residual Value

The value of leased equipment at the conclusion of the lease term. To qualify the lease as a "true lease" for tax purposes, the estimated residual value of the leased equipment at the end of the lease term must equal at least 20 percent of the original cost of the equipment, without regard to inflation. (However, the lessor is not required to book any residual for financial accounting purposes.)

Residual Sharing

An agreement between the lessor and another party (such as a broker) providing for a division of the residual value between them. Care must be taken...
schedule is not the same as the casualty value schedule, insured value schedule or stipulated loss value schedule.

**TRAC Lease**

...with a "terminal rental adjustment clause". Used in automobile leases to describe an open ended lease. Trac Leases which otherwise meet True Lease guidelines are entitled to be treated as True Leases by lessors even though the residual risk is shifted to the lessee.

**True Lease**

A lease is a transaction which qualifies as a lease so that the lessee can claim rental payments as tax deductions and the lessor can claim tax benefits associated with equipment ownership.

**Trust Certificate**

Document evidencing the beneficial ownership of a trust estate of an equity participant (or owner participant, trustor owner, or grantor owner) in an owner trust.

**Trustee**

A bank or trust company which holds title to or a security interest in leased property in trust for the benefit of the lessee, lessor, and/or creditors of the lessor. A leveraged lease may have one trustee performing all functions or may divide the responsibilities between an owner trustee and indenture trustee.

**Trustee Fees**

Fees due either the owner trustee or the indenture trustee.

**Trustee Owner**

The trustor, the lessor or one of a group of lessors under a leveraged lease holding trust certificates evidencing their beneficial interest as owners under the owner trust. A trust owner is the same as an equity participant, owner participant, or grantor owner.
Trust Supplement

In a lease financing with multiple deliveries of equipment to be held as part of the Trust Estate under a single Owner Trust Agreement, it is customary for the Owner Trustee to execute and deliver a "Trust Supplement" with respect to separate delivery of leased property, confirming that the Owner Trustee has acquired such property for the benefit of the Equity Participants, and that such property is subjected to a security interest or a mortgage in favour of the Indenture Trustee or the Loan Participants.

Undivided Interest

A property interest held by two or more parties wherein each shares, according to their respective interests, profits, expenses and enjoyment; and whereby ownership of the respective interest of each may be transferred but physical partition of the asset is prohibited.

Upgrade Lease

Where the risk of obsolescence is high, the lease permits upgrading of the equipment. Mostly in the case of computers.

Useful Life

The period of time during which an asset will have economic value and be useable. The useful life of an asset is sometimes called the economic life of the asset. To qualify as a true lease, the leased property must have a remaining useful life of 20 per cent of the original estimated useful life of the leased property at the end of the lease term, and at least a life of one year.

Vendor Lease

A lease offered by a manufacturer or dealer to its customers for financing its products. The manufacturer or dealer is the vendor.

Vendor Leasing

Use to describe vendor leases offered by a manufacturer, dealer or a third party leasing company under a working relationship between the third party leasing company and the manufacturer or dealer.

Walk-away Lease