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DOLLAR-OUT LEASES (1996)

The direct finance lease (not a true lease, usually a lease with a \$1 purchase option) is extremely common in small ticket transactions. We always wonder, however, where a lessor/lender should draw the line if the lessee is actually applying for a "loan".

Even though the direct finance lease is conceptually the same thing, a direct finance lease does not contain many of the provisions common to true loan documents, most notably, the terms of the remedies.

Our best advice is that, if the parties really intend a loan, lending documents should be used wherever available. If the transaction focuses squarely on the equipment itself and is intended to be a lease, except with respect to certain legal, accounting and tax implications, the direct finance lease is probably as good (or better) a way to go. However, it is important to take a good hard look at amending the documents in the event a default is on the horizon.

Marks & Weinberg, PC is law firm with significant experience in dealing with virtually every type of equipment and facility lease financing. The lawyers of the firm have participated in leasing financings for more than a billion dollars of equipment and are recognized throughout the industry. If you would like more cases or articles on leasing, or have any questions or comments about this Article or other leasing issues, please visit www.lease lawyer.com or contact Barry Marks at 205-251-8303 or Ken Weinberg at 205.251.8307.

