



CANADA AVIATION AND FINANCE MANAGEMENT LTD.

EXPLANATION OF BANK GUARANTEE

SECURITY FOR THE ISSUER

Bank Guarantee: The bank guarantee is provided by the Issuer/Borrower/Investor in favour of CANADA AVIATION AND FINANCE MANAGEMENT LTD. with One Year One Month validity, as **COLLATERAL/SECURITY to CANFIM.** The bank guarantee will be extended for two more years (total three years) or until the project starts repayment of term loan.

1. The bank guarantee shall be issued from Prime European/USA Bank (as per specimen - Annexure I). In the event the bank guarantee is issued from a local bank, the same to be re-confirmed by its CORRESPONDING BANK in UK/USA. **Please refer the Text of Reconfirmation.**
2. The Issuer/Investor/Borrower sends the confirmation through the guarantee issuing bank the bank's willingness to provide a bank guarantee as per format enclosed as Annexure I. Specimen wordings of the Letter of Confirmation shall be as per EXHIBIT.
3. Upon receiving the confirmation letter as per EXHIBIT together with pre-advice of the bank guarantee to be issued, **CANFIM** shall arrange to send a letter from their Transaction Bank confirming that "The bank guarantee will be released un-encumbered upon maturity."
4. The original bank guarantee will be transferred to **CANFIM's** Transaction Bank and in turn the original letter of confirmation will be provided by **CANFIM's** bank for the return of bank guarantee un-encumbered upon maturity.
5. The bank guarantee will be put on Euroclear Screen and block the same for entire validity period of the instrument.
6. The bank guarantee is returned to the issuer upon maturity by the Transaction bank of **CANFIM.**