



CANADA AVIATION AND FINANCE MANAGEMENT LTD.

Questions & Answers

1. *What is a Bank Guarantee (BG), why not any other bank instruments?*

Bank Guarantee is a financial instrument promising to pay the beneficiary the amount mentioned therein upon maturity of the instrument. It is taken as collateral security or margin money for the finance assistance granted.

BG is a widely used and traded instrument in the international market. Thus easy for arranging line of credit or arranging fund for Finance assistance. Moreover the arranger (borrower) earns interest on the fund deposited with the Bank for the purpose of arranging BG.

2. *How to get a BG - do we need to deposit equivalent amount of money or how else? If we have to deposit equivalent amount in the bank for getting a BG, then why not directly put that fund in the project itself?*

BGs can be arranged either fund based or non-fund based. In fund based BG, you may have to deposit the equivalent amount of money into the bank, with issuing BG. In this case you are entitled to earn interest on the money blocked as deposit.

In non-fund based BG you may have to pledge your movable/ non-movable assets like shares, bonds, securities, properties etc. to get the BG. In any case the BG should be a Clean BG.

You have to provide minimum margin money in the form of BG as collateral security for availing Finance and we at least anticipate your equity participation as a promoter.

3. *What is a Clean BG?*

Clean BG means non-conditional and without any reference to a performance or non-performance of any act or *tour de force*.

3. *What do you mean by the words ASSIGNABLE and TRANSFERABLE in the BG?*

BG should be assignable and transferable means that this instrument should be worth negotiable for creating a line of credit.

4. *What is the difference between an OPERATIVE BG and NON OPERATIVE BG?*

Non-operative BG is just a pre-advice of BG to be issued as Operative BG. It is a replica (copy) of what is going to be issued. Non Operative BG is issued for the purpose of verification and clarification. Operative BG is the original and negotiable instrument.

5. *Is it essential that the BG should be in your favour (CANFIM)?*

Yes, the BG should always be in our favour, else we cannot arrange credit line for you.

6. *Why you insist that BG should be issued by or confirmed by a Top 50 Western Bank?*

Because we are arranging Finance from Top Western Banks only and our Credit line is with them.



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7. *Why not BG should contain contract clauses or promise for payment of loan installment?*

No, BG shall not contain any references regarding Contract or obligatory payments. BG will not be a clean BG if such references are mentioned therein. For the purpose of financing we require Clean BG.

8. *Then can you provide Bank's Commitment for contractual payments of loan?*

Such commitment letter from Bank cannot be arranged. However a commitment letter from First Class Bank shall be given for unencumbered return of the BG upon maturity.

9. *We are concerned that how our BG is secured and the disbursement of loan is made after handed over BG?*

First & foremost, your BG is secured because Bank out of Top Ten Bank is giving you written commitment that BG will be returned upon maturity unencumbered. It itself a great confidence of security. Moreover we may arrange for a parchment that BG will not be dispensed for discounting and will be under safe custody.

We are considering, if require, to arrange for Pay Order in advance for disbursement of loan, to offer you more assurance to loan payment.

10. *In case the project stops before completion will the BG will be returned?*

Of course, the BG will be returned instantly if project stops before completion and cannot be carried forward.

11. *Can we keep the BG at our local Bank?*

No, But we can find out the possibility that the BG is kept with a Bank which is a First Class Western Bank and as well as the corresponding Bank of your local Bank.

12. *When could the first payment be started after arranging of the BG?*

First installment of payment can be started within 30 banking days of submission of operative BG in our Bank. The rest payment will be as per project implementation schedule.

13. *As a Contractor what are the security to us for arranging BG on Promoters/Owners' behalf?*

Besides Bank's Commitment to return the BG unencumbered, the Land and Property are also mortgaged jointly in favour of Contractor. And these assets are insured to best of our satisfaction by **Lloyds Insurance, London** – a First Class Insurance Company. You are also exempted from arranging Performance Guarantee.