



ACEGLOBAL
ACE GLOBAL DEPOSITORY



STOCK MONITORING & INSPECTION

PRODUCT PROGRAM

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OVERVIEW

WHO WE ARE

ACE GLOBAL DEPOSITORY and its affiliates and associates (“ACE GLOBAL”) are in the business of operating secured lending programs in conjunction with banks all over the world. This system of secured financing is used to increase the credit capacity of commercial borrowers and to provide lenders with needed protection and security on their working capital loans.

ACE Global’s financial service is an asset control service in which the company provides lenders with assurances on the existence of inventories, the validity of accounts receivable, and the proper handling of receivables collection’s for their commercial industrial, and agricultural loans. These services are used to enhance the loan value of inventories and accounts receivable.

WHAT WE DO

By employing the relevant ACE GLOBAL product program to the envisaged operation, we ensure effective collateral control / monitoring / inspection and expeditious risk identification and risk mitigation expertise as well as continuous monitoring of the goods, through a timely and accurate flow of information furnished to the relevant financial institution throughout the duration of the financing. Our engagement as a risk partner enables financial institutions to extend financing and credit facilities to customers who would have previously been turned away and has the potential to enhance the credit limit generally available to the customer.

OUR OBJECTIVE

This Product Program has been developed by our in-house team in order to take the reader through the Stock Monitoring and Inspection services provided by ACE GLOBAL, identify the basic advantages for the key stakeholders, provide a

summary of the relevant internal procedures to be adopted by the financial institution, and to categorize the relevant documentation required in order to make the inter-party obligations effective.

STOCK MONITORING & INSPECTION

INTRODUCTION

Under this particular Arrangement, the Bank appoints ACE GLOBAL to monitor and inspect the physical and documentary handling of the Goods being financed. ACE GLOBAL provides these services usually for the account of the Bank but where a Bank is not involved, this service is also provided on account of the client for purposes of monitoring and inspection.

Under Stock Monitoring and Inspection, the client or third party storer, furnishes to ACE GLOBAL without charge access to its Storage Facility as may be required by the Bank for the purposes of performing the designated supervision services.

ACE GLOBAL documentation (Monitoring and Inspection Agreement) clearly establishes the role of ACE GLOBAL in the Agreement as solely one of logistical monitoring and inspection, in the sense that ACE GLOBAL shall is not responsible or liable for the condition, quality, management or control of the Goods.

However, if it is required for ACE GLOBAL to be responsible or liable for the condition, quality, and management or control of the Goods, then the parties must agree that ACE GLOBAL will be required to adopt the more appropriate Collateral Control Agreement (FWSA / CMA) and not operate under a simple Monitoring and Inspection Agreement.

BENEFITS OF STOCK MONITORING AND INSPECTION

ADVANTAGES TO THE LENDER

A lender secures its interest in the goods and perfects the pledge through ACE GLOBAL via:

- Accurate reporting and accounting by ACE GLOBAL of all movements and balances;
- ACE GLOBAL's continuous presence (where agreed to by borrower) at location
- ACE GLOBAL provides the lender with accurate and reconciled reporting on all movements and conditions of goods stored.

ADVANTAGES TO THE BORROWER

From the Borrower's perspective, Inspection and timely reporting provided ACE GLOBAL ensures a least costly method of enabling a business to obtain credit and to carry on productive operations that would otherwise be impossible to do.

BANK PROCEDURES FOR LENDING WITH STOCK MONITORING IN PLACE

In any loan application that is considered by the Bank, there are a number of pre-loan considerations which must be taken into account by the Bank prior to agreeing to grant a credit facility to its client. Know Your Client's Client (KYCC) due diligence has to be conducted and certain decisions have to be taken such as:

- The maximum amount of credit to be made available against Borrower's stock.
- The percentage of the advance to be made against the value of the stock.
- The pricing system in valuing the stock (i.e. Borrowers cost, sales price less percentage, etc.)
- The frequency with which reporting on the borrowing base would be required and the nature of the documentation to be presented by ACE GLOBAL on a periodic basis.
- The release mechanism prior to the goods being released by ACE GLOBAL to the borrower / relevant off taker.

KEY CONSIDERATIONS

NO CUSTODY, POSSESSION AND CONTROL

ACE GLOBAL undertakes no custody, possession or control of the goods stored in under a Monitoring and Inspection Agreement; its role is mainly that of a logistical supervisor one.

WAREHOUSE INSPECTION AND APPRAISAL

ACE GLOBAL conducts its own internal inspection procedures and prepares a due diligence checklist before accepting an inspection job at a warehouse for providing its services. A detailed Inspection of the warehouse is conducted to ascertain that the warehouse is feasible in all respects for conducting the services.

SUITABILITY OF STORAGE FACILITIES – RECORDAL OF PREVAILING CONDITIONS

As per the Inspection Report, it will be reported to the Bank whether the Storage Facilities are equipped to provide for proper care of the inventory and for preservation of its quality.

- Common dangers, such as those from fire might arise from the structure of the building, condition of electrical wiring, inadequacy of fire control apparatus, poor housekeeping, the neighborhood, remoteness of local fire department, proximity to incinerators, etc. If such dangers exist they should be recognized and brought to the attention of the Bank and the borrower immediately in and noted in the inspection report.

- Some goods require temperature regulation, humidity, aeration or equipment where required must be adequate and reliable.
- Floor loading is a consideration with heavy goods and wooden floors.
- Water damage is another potential problem, whether from leaking roofs, condensation, or flooding.

Anything which can be reasonably observed to be detrimental to the care or preservation of inventory should be notified to the Bank.

NO LEASE SUB LEASE REQUIRED

There is no need for a lease or a sub lease to be obtained by ACE GLOBAL in such operations.

LETTER OF INDEMNITY

As the actual operations may entail a number of third parties involved such as agents of the borrower, transporters, processors, sub-contractors etc, and because more often than not, the borrower is required to maintain continued access to the goods in the warehouse, albeit under the supervision of ACE GLOBAL, a letter of indemnity as issued by the borrower to ACE GLOBAL is essential and must be obtained by ACE GLOBAL.

PROFESSIONAL INDEMNITY INSURANCE

ACE GLOBAL's Professional Indemnity Insurance is one of the best available in the industry, which indemnifies the insured against legal liability, costs or expenses arising out of ACE GLOBAL's operation including all ACE GLOBAL offices and agents worldwide. This covers our client against professional liability for negligence and/ or fraud up to USD 100 Million per occurrence.

CARGO / MARINE / FOG/ FOQ INSURANCE (OPTIONAL: AT BANKS REQUEST)

Not applicable for these operations, however the Bank will ensure that the Borrower maintains adequate Cargo insurance, being a condition precedent to commencing operations (unless otherwise waived by the Bank).

LEGAL DOCUMENTATION

The ACE GLOBAL Monitoring and Inspection Agreement has been presented to a number of Banks and an analysis of the question and queries raised indicates that the principal concern of Banks relates to the amount of paper work with which the Bank may become involved.

The following paragraphs illustrate the minimum required documentation in order to implement the arrangement.

FACILITY AGREEMENT AND PLEDGE DOCUMENTATION

The Agreement is entered into by the Bank with the borrower and where required ACE GLOBAL can assist in the review and preparation of such agreements at the request of the Bank.

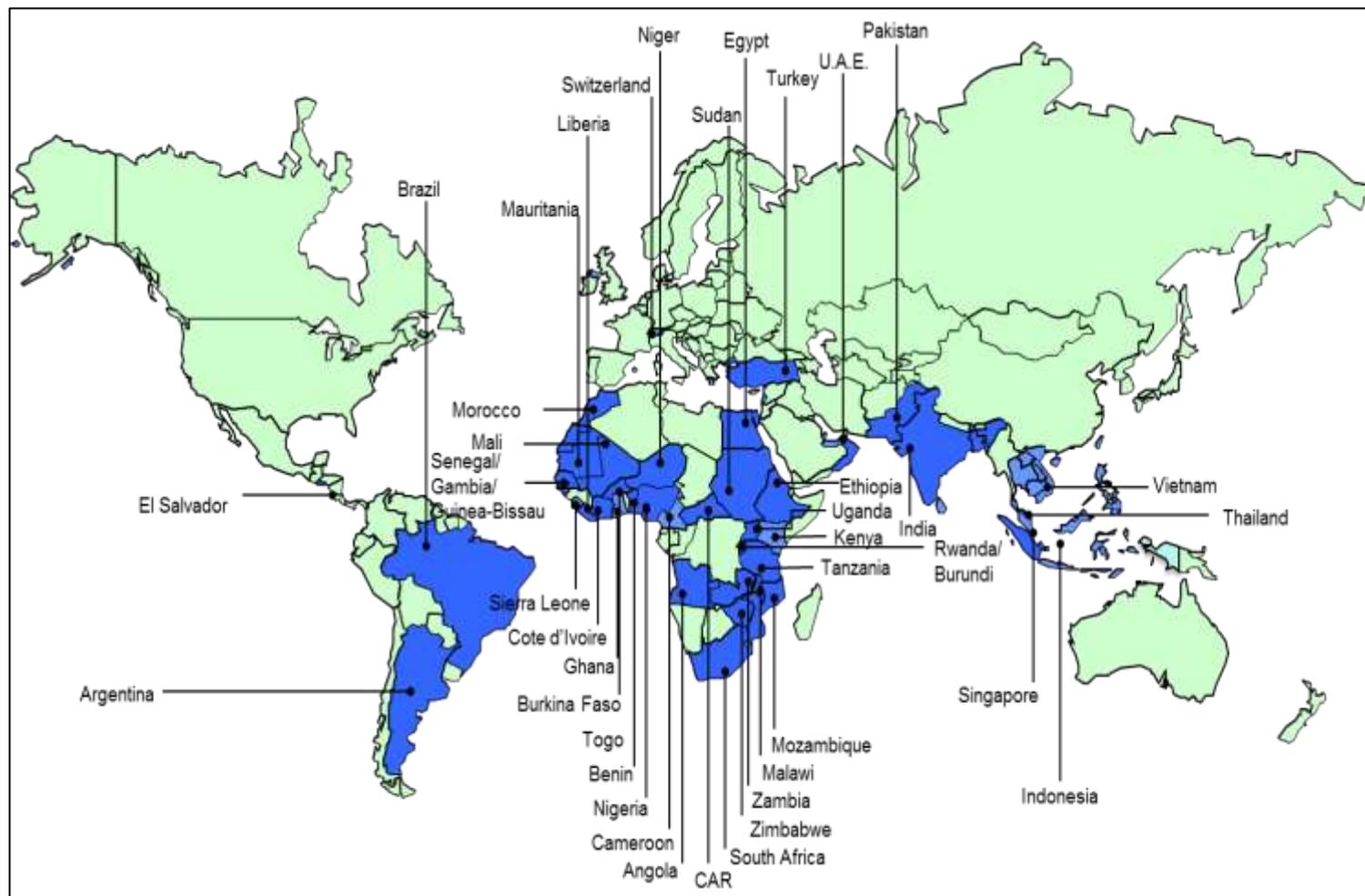
STOCK MONITORING AGREEMENT

The Agreement is entered into by ACE GLOBAL (or a local affiliate or associate thereof) with the Bank and the Borrower.

LETTER OF INDEMNITY

To be executed in ACE GLOBAL standard form

ACE GLOBAL DEPOSITORY COVERAGE



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