

**LOAN AGREEMENT**

in respect of

**GEORGE: INFRASTRUCTURE 2006 – 10 YEARS**

made and entered into by and between

**GEORGE MUNICIPALITY**

and

**THE DEVELOPMENT BANK OF SOUTHERN AFRICA LIMITED**

*[Handwritten signatures and initials]*  
DBSA  
Development Bank  
of Southern Africa

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DBSA  
Development Bank  
of Southern Africa

**SUMMARY**

1. LOAN AMOUNT : R47 400 000.00.
2. LOAN PERIOD : 10 years.
3. INTEREST RATE
- 3.1 FIXED INTEREST RATE : 10 year Government Bond Rate (R157) plus 115 basis points (final rate to be determined two days prior to the date of signing of this agreement by the Borrower).
- 3.2 FLOATING INTEREST RATE: 6 (six) months ZAR-JIBAR-SAFEX plus 78 (seventy eight) basis points (final rate to be determined two days prior to the date of signing of this agreement by the Borrower).
- 3.3 INTEREST RATE TO BE FIXED AT DATE OF CONVERSION : The rate shall be the applicable swap rate equivalent to the remaining Loan Period at the time of exercising the conversion option plus 115 (one hundred and fifteen) basis points.
4. GRACE PERIOD FOR CAPITAL REPAYMENT : NIL.
5. CAPITAL REPAYMENT : 20 (twenty) equal Six-monthly instalments, commencing on the last day of the 1<sup>st</sup> (first) Half-year after the Half-year during which the first disbursement was advanced to the Borrower.
6. PROJECT FILE NO. : WC 102667.2.




## 1. INTERPRETATIONS

1.1 In this Agreement, unless the contrary appears from the context, the following words have the meanings as stated:-

1.1.1 "this Agreement" means this Agreement together with any Annexures thereto;

1.1.2 "Borrower" means George Municipality;

1.1.3 "Breakage Costs" means the net present value of the amount (if any) by which:

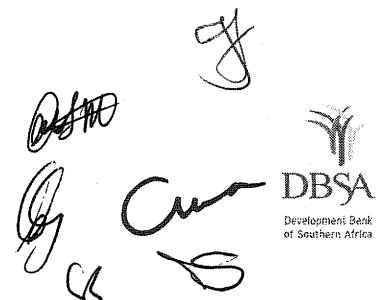
the interest, which the DBSA would have received for the period commencing on the date of receipt of such prepaid principal amount to that Interest Payment Date;

exceeds

the interest which the DBSA would be able to obtain by placing an amount equal to the prepaid principal received by it, on deposit with a leading bank in the relevant Interbank Market for a period commencing on the date of receipt of such principal and ending on that Interest Payment Date;

1.1.4 "Business Day" means any day other than a Saturday, Sunday and a Public Holiday;

1.1.5 "Conversion Option" means the option in terms of which the Borrower may convert from a Floating Rate Loan to a Fixed Rate Loan and not vice versa;


  
 The bottom right corner of the page contains several handwritten signatures in black ink. To the right of these signatures is the logo of the Development Bank of Southern Africa (DBSA), which consists of a stylized tree icon above the text "DBSA" and "Development Bank of Southern Africa".

- 1.1.6 "the DBSA" means the Development Bank of Southern Africa Limited, reconstituted and incorporated in terms of Section 2 of the Development Bank of Southern Africa Act No. 13 of 1997;
- 1.1.7 "Fixed Rate Loan" means the amount of Loan disbursed and outstanding from time to time in respect of which the Fixed Interest Rate as determined in clause 3.1 shall apply;
- 1.1.8 "Floating Rate Loan" means the amount of Loan disbursed and outstanding from time to time in respect of which the Floating Interest Rate as determined in clause 3.2 shall apply;
- 1.1.9 "Half-year" or "Six-monthly" means from the first day of January to the 30th day of June and/or from the first day of July to the 31st day of December during the next calendar year;
- 1.1.10 "Interest Payment Date" means the last Business Day of each Interest Period;
- 1.1.11 "Interest Period" means each period of 6 (six) months commencing on 1 January or 1 July of each calendar year. The first Interest Period shall begin to run from the date of the first disbursement to 30 June or 31 December, whichever immediately follows disbursement. Each Interest Period thereafter shall begin to run from the date of expiry of the preceding Interest Period, even if the first day of this Interest Period is not a Business Day. Notwithstanding the foregoing, any period less than six months running from the date of a

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disbursement to the date of 30 June or 31 December immediately following this disbursement shall be deemed an Interest Period;

- 1.1.12 "Loan" means the financing granted to the Borrower in terms of clause 2;
- 1.1.13 "On-lending" means the transfer, by the Borrower, of any amount(s) to any third parties, from the proceeds of the Loan, excluding payments for the procurements of goods and services;
- 1.1.14 "Parties" means collectively, the Borrower and the DBSA;
- 1.1.15 "Project Agent" means a person nominated in writing by the Borrower to act on its behalf in respect of the Project;
- 1.1.16 "Project" means George Municipality, as described in more detail in Annexure A attached hereto;
- 1.1.17 "Reference Banks" means four major Banks in the Johannesburg Interbank market selected by the DBSA;
- 1.1.18 "Reset Date" means the first Business Day of January and July of each calendar year or such other dates as may be agreed to in writing by the Parties;
- 1.1.19 "Reset Period" means a period of 6 (six) months commencing from each Reset Date;
- 1.1.20 "Unwinding Costs" means any and all actual costs, expenses and disbursements incurred by the DBSA in taking out a new hedge position, closing out, settling or unwinding any hedge transaction deposits or funding transactions that may have been entered

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into by the DBSA or reacquiring any negotiable instruments that have been issued by the DBSA, in respect of funding any part or all of the Loan;

1.1.21 "ZAR-JIBAR- Reference

Banks Rate"

In relation to each Interest Period for Floating Rate Loan, shall mean the yield rate determined on the basis of the mid-market deposit rate for South African Rand for a six month period quoted by the Reference Banks at or about 11:00 am, Johannesburg time, two Business Days prior to the commencement of the relevant Interest Period; and

1.1.22 "ZAR-JIBAR-

SAFEY"

In relation to each Interest Period for Floating Rate Loan, shall mean the mid-market yield rate (rounded upwards, if necessary, to the nearest one thousandth of a percentage point) for deposits in South African Rand for a six month period which appears on the Reuters Screen SAFEY Page as of 11:00 am, Johannesburg time, two Business Days prior to the commencement of the relevant Interest Period.

- 1.2 Headings to the clauses of this Agreement, the table of contents and summary are for reference purposes only and are not intended to affect the interpretation thereof.
- 1.3 Any reference to the singular shall include the plural and vice versa.
- 1.4 Any reference to a natural person shall include an artificial or corporate person and vice versa.
- 1.5 Any reference to one gender shall include the other.
- 1.6 Any reference to ZAR-JIBAR and/or ZAR-JIBAR-Reference Banks Rate shall include any other substitute rate, calculated in the same manner as either of these



two rates whether such substitute rate appears on the Reuters screen safety page or on some other screen page.

- 1.7 Interest rate to be fixed at date of conversion will be the applicable swap rate equivalent to the remaining Loan Period at the time of exercising the conversion option plus 115 (one hundred and fifteen) basis points
- 1.8 This Agreement shall bind the Borrower and its successors-in-title.

## 2. THE LOAN

2.1 The Loan shall be:-

- 2.1.1 an amount not exceeding, in aggregate, R47 400 000.00 (forty seven million four hundred thousand Rand); and
- 2.1.2 utilised exclusively for the Project and the Borrower, hereby, undertakes that it shall comply with all provisions of this Agreement.
- 2.2 The Loan proceeds shall be paid by the DBSA to, and on the order of, the Borrower in such disbursements and in accordance with all provisions contained in this Agreement.
- 2.3 No On-Lending shall be effected unless provided for in this Agreement.

## 3. INTEREST

The Loan shall bear interest on the amount from time to time outstanding at a Fixed or Floating Rate, as the case may be at the election of the Borrower as follows:

### 3.1 FIXED INTEREST RATE

- 3.1.1 The Capital shall bear interest on the amount from time to time outstanding at a nominal fixed rate of 10 year Government Bond Rate (R157) plus 115 basis points (final rate to be determined two days prior to the date of signing of this agreement by the Borrower).

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- 3.1.2 Interest on the amount from time to time outstanding shall be compounded Six-monthly and shall be due and payable on the last day of each Half-year. If payment of interest falls on a day other than a Business Day, such interest shall be payable on the next succeeding Business Day.
- 3.1.3 The interest rate for each Interest Period shall be compounded Six-monthly based on the actual number of days elapsed and a 365-day year (irrespective of whether it is a leap year) and shall be payable in arrears on each Interest Payment Date.
- 3.1.4 Payment shall commence on the last day of the Half-year during which the first disbursement was advanced to the Borrower.

### 3.2 FLOATING INTEREST RATE

- 3.2.1 The rate of interest applicable to the Floating Rate Loan disbursed and outstanding from time to time (expressed as a percentage rate per annum) shall be a 6 (six) months ZAR-JIBAR-SAFEX plus 78 (seventy eight) basis points (final rate to be determined two days prior to the date of signing of this agreement by the Borrower). If, for any reason, it shall become impossible to determine ZAR-JIBAR-SAFEX or ZAR-JIBAR-SAFEX rates shall become unavailable by reason either of market dysfunction or any other reason unforeseen by the Parties, then the rate of interest applicable to the Floating Rate Loan shall be the ZAR-JIBAR-Reference Banks Rate plus 78 (seventy eight) basis points.
- 3.2.2 The DBSA shall request the principal Johannesburg office of each of the Reference Banks to provide a quotation of its rates. If at least 2 (two) quotations are provided, the rate will be the arithmetic mean (rounded upwards, if necessary, to the nearest thousandth of a percentage point) of the quotations.
- 3.2.3 The interest rate for each Interest Period shall be compounded Six-monthly based on the actual number of days elapsed and a 365-day year

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(irrespective of whether it is a leap year) and shall be payable in arrears on each Interest Payment Date.

3.2.4 Interest on the amount from time to time outstanding shall be compounded Six-monthly and shall be due and payable on the last day of each Half-year. If payment of interest falls on a day other than a Business Day, such interest shall be payable on the next Business Day. Payment shall commence on the last day of the Half-year during which the first disbursement was advanced to the Borrower.

### 3.3 CONVERSION FROM FLOATING RATE TO FIXED RATE

The Borrower may, on any Reset Date convert all of the Floating Rate Loan into a Fixed Rate Loan provided that the Borrower shall give DBSA no less than 30 (thirty) business days notice of its intention to do so. Upon the exercising of the Conversion Option by the Borrower as contemplated herein, the amount outstanding from the date on which the Borrower shall exercise the Conversion Option shall bear a fixed interest rate as determined in terms of clause 1.7 above. The Borrower shall be notified in writing of the rate applicable at the time. Interest rate shall for the purpose of this sub-clause, be calculated on the same basis as indicated in sub-clause 3.1.2 above.

## 4. REPAYMENT OF LOAN AND PAYMENT OF INTEREST

4.1 The capital amount of the Loan shall be repaid in 20 (twenty) equal Six-monthly instalments, commencing on the last day of the 1<sup>st</sup> (first) Half-year following the Half-year during which the first disbursement was made to the Borrower from the proceeds of the Loan; and thereafter at the end of each succeeding Half-year until the Loan together with interest thereon shall be fully repaid; provided that subject to the provisions of clause 7, the Borrower may, with 30 (thirty) days written notice to the DBSA, make repayments in excess of the abovementioned or repay the full amount outstanding, provided further that the Borrower shall not be entitled to make any repayments prior to the date on which the first instalment shall fall due in terms of this Agreement; provided further that this shall not jeopardise the proper completion of the Project.

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- 4.2 An instalment shall be a fixed amount, determined as at the outset of the 1<sup>st</sup> (first) Half-year following the Half-year during which the first disbursement was made to the Borrower from the proceeds of the Loan; calculated as being sufficient to amortise the outstanding amount, plus interest at the rate set out in clause 3.1 above, in 20 (twenty) equal Six-monthly payments. Should, at the outset of the said 1<sup>st</sup> (first) Half-year, part of the Loan still not be drawn by the Borrower, the amount of instalments shall be adjusted as and when drawings take place, in order to achieve amortisation over the original period of the Loan.

## 5. COMMITMENT FEE

- 5.1 The DBSA shall be entitled, in respect of the Fixed Rate Loan to charge a commitment fee of 0.5% (nought comma five per centum) per annum on all the undisbursed portion of the Loan as follows:
- 5.1.1 in case where the Borrower has elected a Fixed Interest Rate option, the DBSA shall be entitled to charge such a commitment fee effective 3 (three) months from the date of conclusion of this Agreement;
- 5.1.2 in case where the Borrower has exercised the Conversion Option, the DBSA shall be entitled to charge such a commitment fee effective 3 (three) months from the date of the exercise of the Conversion Option by the Borrower.
- 5.2 Payment of the commitment fee shall be made on the same terms and conditions as the other amounts due in terms of this Agreement.

## 6. LATE PAYMENT

- 6.1 The Borrower shall be liable to the DBSA for the payment of penalty interest on all amounts payable, yet unpaid, in terms of this Agreement should the Borrower:-
- 6.1.1 fail to pay on the due date any amount owing or which may become owing to the DBSA in terms of this Agreement; or



6.1.2 with the DBSA's written consent defer the payment of any amount so owing.

6.2 Penalty interest shall be calculated with regard to the actual period during which the amount payable remained unpaid, at the Fixed Rate/interest rate of the Loan plus 2% (two per centum). Penalty interest shall be compounded Six-monthly and payable on demand.

## 7. EARLY REPAYMENT

### 7.1 FLOATING RATE LOANS

7.1.1 The Borrower shall, subject to thirty (30) days written notice to the DBSA, be entitled to prepay any portion or the entire principal amount of the DBSA Loan. However, the Borrower shall be liable to pay Breakage Costs on the principal amount being prepaid otherwise than on the Interest Payment Date and any Unwinding costs.

### 7.2 FIXED RATE LOANS

7.2.1 The Borrower shall, subject to thirty (30) days written notice to the DBSA, be entitled to prepay any portion or the entire principal amount of the DBSA Loan, subject to the payment of a prepayment fee on the principal amount being prepaid. The prepayment fee shall be determined or calculated as follows:

7.2.1.1 where the interest rate of the Loan is less than or equal to the Reinvestment Rate (defined herein below), the Borrower shall be liable to pay Unwinding Costs only (if any) on the prepaid amount;

7.2.1.2 where the interest rate of the Loan is greater than the Reinvestment Rate, the Borrower shall pay to the DBSA an amount equal to the difference (calculated on a present value basis to the DBSA's prejudice) between the interest which the prepaid principal amount would have produced had there been no prepayment and the interest which would be produced by a

reinvestment of the same amount having the same repayment schedule as the prepaid principal amount of the Loan as well as any Unwinding Costs.

7.2.2 The Reinvestment Rate shall be the rate at which the DBSA can invest the funds in the relevant Interbank Market, for the period equal to the remaining Loan Period as determined at the relevant Interest Payment Date of such prepaid principal amount.

7.2.3 The discount rate used shall be equal to the Reinvestment Rate.

## 8. PAYMENT(S)

- 8.1 All payments to or by the Parties under this Agreement shall be effected in South African Rand.
- 8.2 All payments under this Agreement to the Borrower shall be effected to the credit of such banking account(s) of the Borrower as the Borrower may from time to time direct, in writing.
- 8.3 The Borrower shall furnish the DBSA with all the necessary information regarding its officials who are authorised to apply for drawdowns on the Borrower's behalf.
- 8.4 All payments under this Agreement to the DBSA shall be effected to the credit of such banking account(s) of the DBSA as the DBSA may from time to time direct, in writing.
- 8.5 Payments to the DBSA in terms of this Agreement shall be effected without deduction and free from any taxes, charges, fees or other costs whatsoever.
- 8.6 Whenever any payment falls due on a Saturday, Sunday or Public Holiday under the laws to which either of the Parties are subject, such payment shall be made on the next succeeding business day.

## 9. CANCELLATION/TERMINATION OF DRAWDOWNS

- 9.1 The Borrower may, by giving 30 (thirty) days written notice to the DBSA, cancel any undrawn portion of the Loan provided that such cancellation shall not jeopardise

the proper completion of the Project; it being understood that upon the giving of such notice the instalments referred to in clause 4.1 supra shall be reduced pro rata.

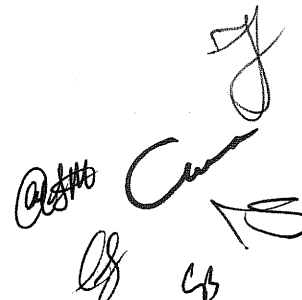
- 9.2 If the DBSA reasonably concludes, after consultation with the Borrower, that any portion(s) of the Loan will not be required to finance the Project, the DBSA may by notice to the Borrower terminate the right of the Borrower to make drawdowns in respect of such undrawn portion; it being understood that upon giving of such notice the instalments referred to in clause 4.1 supra shall be reduced pro rata.
- 9.3 If the DBSA has not received a final application for a drawdown under the Loan from the Borrower at the end of the 1<sup>st</sup> (first) Half-year following the Half-year during which the first disbursement was made to the Borrower from the proceeds of the Loan, the DBSA may terminate further disbursements to the Borrower on 30 (thirty) days written notice to the Borrower unless the DBSA, after consideration of the reasons for the delay, has determined a later date for the purposes of this sub-clause. The DBSA shall only consider an extension on receipt of a written request from the Borrower and shall notify the Borrower of its decision.

## 10. EVENTS OF DEFAULT

- 10.1 The DBSA shall be entitled, after giving the Borrower 30 (thirty) days written notice, to suspend drawdowns from the Loan or to terminate this Agreement and to claim from the Borrower immediate payment of all the outstanding amounts should the Borrower commit any breach of this Agreement, provided that the DBSA may, at its entire discretion, dispense with the giving of the 30 (thirty) days notice.
- 10.2 Without derogating from the generality of the foregoing, the DBSA shall be entitled to exercise its rights in terms of clause 10.1 above, upon the happening of any of the following events:-
- 10.2.1 the Borrower failing to repay the capital amount and to pay interest in terms hereof, and failing to remedy such breach within the notice period referred to in 10.1 above requiring it to do so;

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- 10.2.2 any attachment being made or any execution being levied against the Borrower;
- 10.2.3 any failure to repay any of the DBSA's loans or breach of any agreement entered into between the Borrower and the DBSA and/or with any other lender/creditor;
- 10.2.4 any fact or circumstance shall have occurred which in the opinion of the DBSA may affect the ability or willingness of the Borrower to comply with all or any of its obligations under this Agreement;
- 10.2.5 the Borrower proposing any rescheduling, reorganisation or rearrangement of the whole or part of its indebtedness with the DBSA or any of its creditors;
- 10.2.6 the Borrower's business operations or any significant part thereof, being interrupted for a continuous period of at least 3 (three) months;
- 10.2.7 any approval, licence, authorisation or other requirement necessary to enable the Borrower to comply with any of its obligations in terms of this Agreement is modified, revoked or withdrawn whilst this Agreement is still in force;
- 10.2.8 any order is made or resolution passed or other action taken for the dissolution or termination of the existence of the Borrower; and
- 10.2.9 any representation, warranty or statement made in, or in connection with, this Agreement or any opinion delivered by or on behalf of the Borrower under this Agreement is found to be incorrect.
- 10.3 The exercise of the rights by the DBSA in terms hereof shall be without prejudice and/or in addition to any other rights which the DBSA may then have against the Borrower in law, including the right to demand specific performance by the Borrower of its obligations in terms of this Agreement.



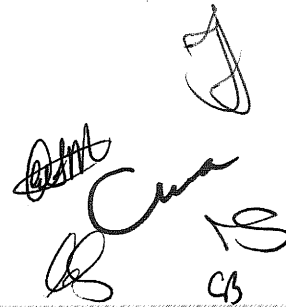
## 11. CONDITIONS PRECEDENT

The operation of this Agreement is subject to the Borrower submitting a certified copy, signed by the Executive Mayor, of its Council's resolution, authorising the Borrower to conclude the Agreement, in respect of this Loan.

## 12. FURTHER TERMS AND CONDITIONS

- 12.1 The Borrower, hereby, undertakes to ensure the strict application of its existing Credit Control Policy.
- 12.2 The Borrower, hereby, undertakes to continue with its budgetary allocation for Bad Debt Provision.
- 12.3 The Borrower, hereby, warrants that it has obtained from all Government, Provincial and other Authorities the necessary licenses, permits and other authorizations required in terms of Environmental Legislation, the Water Act and the Health and Safety legislation for the construction, operation and maintenance of the Projects financed through this Loan.
- 12.4 The Borrower shall ensure compliance with the requirements of the Record of Decisions issued by the provincial Department of Environmental Affairs and Development Planning during the construction and rehabilitation of the Projects financed through this Loan.
- 12.5 The Borrower, hereby, undertakes to attend to the establishment of a formal environmental management structure within the Municipality before the end of the 2007/08 Financial year.
- 12.6 The Borrower, hereby, undertakes to arrange for suitable insurance in order to cover any possible damage during and after construction of the Projects, as well as moveable assets, financed through this Loan. Proof must be provided that the following insurances are in place:

12.6.1 All Risk insurance;

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- 12.6.2 Material and Consequential loss caused by machinery and site breakdown;
  - 12.6.3 Damage during construction;
  - 12.6.4 Public Liability Cover; and
  - 12.6.5 Force Majeure.
- 12.7 The Borrower, hereby, undertakes to provide the DBSA project team with the necessary assistance to monitor progress with the implementation of the projects in accordance with the requirements of the Project Description.
- 12.8 The Borrower, hereby, undertakes to ensure that the disbursement of the Loan amount will be in accordance with the Disbursement Schedule attached to the Project Description.

### 13. ARBITRATION

- 13.1 Any dispute arising out of or relating to this Agreement concerning the interpretation of the terms and conditions of this Agreement or of compliance by any Party with the terms/conditions of this Agreement which is not resolved amicably through consultations or negotiations shall, subject to the other provisions of this Agreement, be settled by arbitration in terms of the Arbitration Act No. 42 of 1965, as amended from time to time; provided that a claim by the DBSA for the repayment of any monies due under this Agreement shall not be regarded as a dispute for the purpose of this clause and neither Party shall therefore be obliged to refer such a claim to arbitration.
- 13.2 In case of arbitration a tribunal shall be composed of one arbitrator who shall be appointed by the Parties by agreement or failing such agreement, by the chairperson of the Association of Arbitrators, who shall, in appointing such arbitrator, have regard to the qualifications and experience of the appointee in relation to the nature of the dispute over which he/she has to adjudicate. In case the arbitrator resigns or becomes unable to act, a successor shall be appointed in the same manner as herein prescribed for the appointment of the original arbitrator and the successor shall have all the powers and duties of his/her predecessor.

*Att*  
*Cura*  
*CB*

- 13.3 The arbitration shall be held at the place and in accordance with whatever procedures the arbitrator considers appropriate. In particular, the arbitrator, may, if he/she deems appropriate, conduct the arbitration in an informal and summary manner and without requiring pleadings or discovery of documents and without observing the rules of evidence. The proceedings shall be confidential and neither the Parties nor the arbitrator shall disclose to third parties any information regarding the proceedings, the award, or settlement terms unless the parties otherwise agree in writing.
- 13.4 After the institution of arbitration proceedings the tribunal may proceed with the arbitration notwithstanding any failure, neglect or refusal of either Party to comply with the provisions hereof or to take part or to continue to take part in the arbitration proceedings. The arbitrator shall within 30 (thirty) days of the termination of the proceedings render a final and binding written award including interest and costs, and furnish the Parties with written reasons for his/her judgment.
- 13.5 The provisions of this clause may be invoked by any Party by delivering to the other Party a demand, in writing, that an arbitrator be appointed to adjudicate in respect of a specified dispute.

## 14. GENERAL

### 14.1 PROJECT NOTICE BOARDS

The Borrower shall, at its own cost, ensure that, immediately upon commencement of construction/building operations, contemplated by this Agreement, if it is decided to erect a Project notice board, the said board shall clearly advertise the fact that such construction/building operations, have been financed or co-financed, as the case may be, by the DBSA.

### 14.2 DOMICILIUM

14.2.1 The Parties choose domicilium citandi et executandi ("domicilium") for all purposes arising from or pursuant to this Agreement, as follows:-

*[Handwritten signatures and initials]*



## (i) In case of the DBSA:-

Physical address: Development Bank of Southern Africa Limited  
1258 Lever Road  
Headway Hill  
MIDRAND  
SOUTH AFRICA; or

Postal address: P O Box 1234  
HALFWAY HOUSE  
1685; or

Telefax number: (011) 313 3086

## (ii) In case of the Borrower:-

Physical address: George Municipality  
Municipal Offices  
York Street  
GEORGE  
6530; or



Postal address: P O Box 19  
GEORGE  
6530; or

Telefax number: (028) 801 9175

14.2.2 Each of the Parties shall be entitled from time to time, by written notice to the other, to vary its domicilium to any other address which is not a Post Office or Poste Restante.

14.2.3 All notices made by either Party to the other ("the addressee") which:-

- (i) is delivered by hand during the normal business hours of the addressee at the addressee's domicilium for the time being shall be presumed to have been received by the addressee at the time of delivery;
- (ii) is posted by prepaid registered post to the addressee at the addressee's domicilium for the time being shall be presumed to have been received by the addressee on the seventh day after the date of posting; Provided that

   
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the Parties agree that all other forms of correspondence and/or requests may be done through fax and/or electronic mail (e-mail).

#### 14.3 **WHOLE AGREEMENT**

This Agreement (including the Annexures) constitutes the entire Agreement between the Parties and no representations, warranties, undertakings or promises of whatever nature which may have been made by any of the Parties, their agents or employees, other than those herein contained, shall be binding or enforceable against them.

#### 14.4 **NON-VARIATION**

No variation, amendment or addition to this Agreement shall be valid unless the same has been reduced to writing and signed by or on behalf of the Parties.

#### 14.5 **NON-ENFORCEMENT/INDULGENCE**

The non-enforcement of any provision of this Agreement or any indulgence which either Party may grant to the other Party shall be without prejudice to the rights of such first-mentioned Party to insist upon strict compliance by such other Party with all the provisions of this Agreement or to enforce its right in respect of which such indulgence was granted.

#### 14.6 **TERMS AND CONDITIONS OF DISBURSEMENT**

Disbursement of each progress claim in respect of the amount financed by DBSA is to be effected as a ratio of actual cost of each item (for each phase) in accordance with the Application and Source of Funds Statement (Annexure B), read together with the Project Description (Annexure A), to the maximum amount of R47 400 000.00 (forty seven million four hundred thousand Rand) This is subject to submission to the DBSA of fully documented proof of expenditure by the Borrower to supplier, consultant and/or contractor, of actual claims (or in-house expenses incurred), as approved by the Borrower or its authorised representative. Each progress claim is to be in the itemised format as depicted in Annexure B.

THUS DONE AND SIGNED AT George ON THE 13<sup>th</sup> DAY OF June 2007.

AS WITNESSES:

1. [Signature]

2. [Signature]

[Signature]

FOR AND ON BEHALF OF THE BORROWER, DULY AUTHORISED THERETO IN TERMS OF ANNEXURE D ATTACHED HERETO

THUS DONE AND SIGNED AT MIDRAND ON THE 15 DAY OF June 2007.

AS WITNESSES:

1. [Signature]

2. [Signature]

[Signature]

FOR AND ON BEHALF OF THE DBSA, DULY AUTHORISED THERETO IN TERMS OF ANNEXURE E ATTACHED HERETO

## PROJECT DESCRIPTION

### 1. PROGRAMME GOAL

To capacitate George Municipality to improve service delivery and address development needs within its communities through the provision of new and upgrading of existing municipal infrastructure in support of the priorities identified through the Integrated Development Planning process.

### 2. PROGRAMME OBJECTIVE

To support socio-economic development in the greater George area through the provision of new and upgrading of existing municipal infrastructure, benefiting approximately 24,000 households. The implementation of the projects will furthermore contribute towards the communities' and Municipality's objectives of improving existing services, addressing backlogs and creating job opportunities, thereby, ensuring a higher standard of living for all.

### 3. PROGRAMME OUTPUTS

The projects to be funded are part of the Municipality's 2006/08 Capital Development Programme and can be categorised as follows:

Infrastructure	Item No.	Description	Budget Amount
Roads	862	Upgrading of Roads Network	10,500,000
	944	Paving: Central	2,500,000
	206	Reseal Roads	3,500,000
	223	Rebuilding Roads	2,700,000
	224	Upgrading Storm water network	800,000
	231	Public Works Programme	10,000,000
	252	Unie / Hope Streets Langenhoven / Davidson	11,000,000
	253	Streets	3,150,000
Social Infrastructure	809	Shelters	1,000,000
		Fire Brigade	2,250,000
			<b>47,400,000</b>

  
**DBSA**  
 Development Bank  
 of Southern Africa

#### 4. INSTITUTIONAL ARRANGEMENTS

- 4.1 A Project Committee (PC), on which the DBSA will be represented, shall be functional for each Project, to control and manage implementation and ensure, through ongoing monitoring, that the Project is implemented, according to the Programme Description and conditions contained in the Loan Agreement.
- 4.2 The Borrower shall ensure that written reports be submitted bi-monthly to the DBSA reflecting progress made with the projects included in the Programme..

#### 5. DESIGN PARAMETERS AND GUIDELINES

- 5.1 Standardised specifications, as compiled by the SABS, shall be used for the design, materials and construction.
- 5.2 Design criteria shall include optimal site, infrastructure and space utilisation, cost-effective design and specification, energy efficiency and low-maintenance design approaches.
- 5.3 The design approach and specifications shall make provision for labour-intensive approaches, where appropriate

#### 6. IMPLEMENTATION FRAMEWORK

- 6.1 Formal tender documents, with a comprehensive Bill of Quantities and construction drawings, will be completed, before going out to tender. Preference shall be given to local suppliers of construction material, depending on availability, quality and price of materials and assurance of timeous delivery.
- 6.2 The Borrower shall promote the involvement of BEE participants and local labour in the Projects. For implementation and easy reference, the meaning of BEE shall be the meaning and definition as contained in the Broad Based Black Economic Empowerment Act 53 of 2003, taking into consideration the control and equity in the entity(ties) concerned.
- 6.3 All construction work shall be in accordance with the standards set in SABS 1200, National Building Regulations as well as the Occupational Health and Safety Act.

- 6.4 Careful Project execution, management and co-ordination shall be exercised, to ensure cost containment, during implementation. Expenditure on unforeseen costs and on site orders (variation orders) will receive special attention, by the Project Committee, in consultation with the DBSA.

## 7. ENVIRONMENTAL IMPACT MANAGEMENT

- 7.1 Environmental management will be integrated into the management of all the Projects. The mechanisms that will guide the implementation of the Projects will, therefore, include in its monitoring, all possible impacts on the environment.
- 7.2 Tender documents shall make provision for environmental rehabilitation measures and environmental management plans.

## 8. DISBURSEMENT SCHEDULE

INFRASTRUCTURE	DBSA LOAN AMOUNT	DISBURSEMENTS 2007			
		Q1	Q2	Q3	Q4
Roads	44,150,000	9,500,000	11,700,000	12,800,000	10,150,000
Social	3,250,000	2,250,000	600,000	400,000	0
<b>Total Amount</b>	<b>R 47,400,000</b>	<b>R11,750,000</b>	<b>R12,300,000</b>	<b>R13,200,000</b>	<b>R10,150,000</b>

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 @M  
 J  
 Cma  
 S



## SOURCE AND APPLICATION OF FUNDS STATEMENT


INFRASTRUCTURE	PROJECT COST R	DBSA LOAN R	GEORGE MUN R
Roads & Storm Water	44,150,000	44,150,000	0
Social Infrastructure	3,250,000	3,250,000	0
<b>Total Amount</b>	<b>R 47,400,000</b>	<b>R 47,400,000</b>	<b>R 0</b>

### PROJECT CO-OPERATION

1. To ensure that the purposes of the Loan are accomplished, the Parties shall:-
  - 1.1 periodically, and at the request of either Party,:-
    - 1.1.1 exchange views, with regard to the progress of the Project, the benefits derived therefrom and the performance of their respective obligations, in terms of this Agreement, as well as other matters relating to the purposes of the Loan; and
    - 1.1.2 furnish each other with all such information, as may be reasonably requested, with regard to the progress of the Project, the benefits derived therefrom and the general status of the Loan;
  - 1.2 promptly inform each other of any fact, which interferes with, or threatens to interfere with, the progress of the Project, the accomplishment of the purposes of the Loan, any related matter, and, in particular, the performance, by either Party, of its obligations, in terms of this Agreement;
  - 1.3 confirm that they have determined the technical, financial and organisational requirements, in respect of planning, management and control of the Project, to ensure the efficient and effective execution and maintenance of the Project and related matters; and
  - 1.4 jointly, determine the criteria to be taken into consideration, when awarding contracts for items and services to be financed by the Loan.
2. The Borrower shall:-
  - 2.1 grant representatives of the DBSA the opportunities reasonably necessary, to visit any relevant area, for purposes related to the Loan;
  - 2.2 in addition to the amount made available, in terms of this Agreement, be responsible for the provision of all other funds necessary for the successful execution of the Project, as set out in Annexure B, including funds to be supplied by third parties, as reflected in the said Annexure B;

*[Handwritten signatures and initials]*

- 2.3 be responsible for the management and maintenance of work carried out, within the context of the Project;
- 2.4 with regard to the procurement of goods and services for the Project, in consultation with the DBSA, invite participation, in tender or quotation procedures on an open bid basis (such documentation to be drawn up, in consultation with the DBSA's Project Team and ratified by the DBSA), from natural persons and bodies corporate, respectively;
- 2.5 ensure that contractors, to whom contracts are awarded, are insured, and remain insured, in terms of contractors-all-risk-insurance policies, in a manner reasonably acceptable to the DBSA;
- 2.6 insure, and keep insured at the replacement value thereof, such of its interests in the Project, against such risks, as may be agreed upon by the Parties;
- 2.7 maintain, or cause to be maintained, records, adequate to identify the operations carried out by means of the Loan, and furnish the DBSA with all such information (e.g. progress reports), concerning the implementation of the Project;
- 2.8 apply the Loan, in accordance with Annexure B;
- 2.9 require each contractor, to whom a contract is awarded, to furnish a performance guarantee acceptable to the DBSA, in terms whereof the completion of such contract is guaranteed; and
- 2.10 preserve all documents and accounting records, relating to the Project, up to the expiry of a period of 9 (nine) years, after signature of this Agreement, and shall allow the DBSA, at the DBSA's cost, at any reasonable time, to have such documents and records audited by a person, nominated by the DBSA.
3. Where the Parties agree that the further appointment of consultants, or the revision of the brief of appointed consultants, is necessary, the following criteria shall obtain:-
- promotion and/or support of the SMME sector;
  - past experience with similar projects;
  - knowledge of local conditions;
  - abilities and qualifications;
  - membership of professional institutions.



**AUTHORISATION  
BORROWER**

*[Handwritten signatures and initials]*





**G E O R G E**

MUNISIPALITEIT  
Wes Kaap

UMASIPALA WASE  
Intshona - Koloni

MUNICIPALITY  
Western Cape

Posbus / P.O. Box 19 George 6530 Tel: 044 8019111 Fax: 044 8733776

VERW/REF:

NAVRAE: Mr L H Fourie  
ENQUIRIES:

TEL: (044) 801 9035

13 June 2007

### AUTHORISATION

It is hereby confirmed that

**C M AFRICA**

**MUNICIPAL MANAGER**

is empowered to sign, as the Authorised Representative of the George Municipality, the Loan Agreements concluded between the Municipality and the Development Bank of SA for the financing of the George: Infrastructure 2006 (WC102667) Programme.

*Specimen signature is as follows:*

Furthermore:

The Fixed Interest Rate option is to be applied to the Loan (WC102667).

Authorised:

**BAZIL PETRUS  
EXECUTIVE MAYOR**

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**DEVELOPMENT BANK OF SOUTHERN AFRICA LIMITED: DELEGATIONS OF SIGNING AUTHORITIES  
FOR INVESTMENT LOANS AND TECHNICAL ASSISTANCE**

**PAUL CAMBO BALOYI**

in his capacity as Chief Executive of the Development Bank of Southern Africa, in terms of authority delegated to the incumbent of this post by the Board of Directors of the Development Bank of Southern Africa Limited on 20 March 1997, as amended and read with section 5 of the Development Bank of Southern Africa Act No 13 of 1997, determined on 1 October 2006 that:

**PAUL CAMBO BALOYI**  
in his capacity as Chief Executive Officer  
and Managing Director

OR

**LEONIE VAN LELYVELD**  
in her capacity as Chief Risk officer  
and Acting as Chief Financial Officer

OR

**ADMASU YILMA TADESSE**

OR

**SAMSON GWEDE MANTASHE**

OR

**ERNEST ARTHUR DIETRICH**

OR

**LOYISO PITYANA**

OR

**LEWIS MAXWELL MUSASIKE**

OR

**SNOWY JOYCE KHOZA**

OR

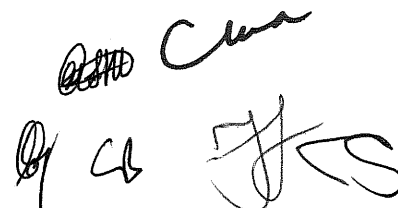
**MAGARE LUTHER MASHABA**

OR

**JEANETTE SIBONGILE NHLAPO**  
in their capacities as Executive Managers

OR

**SAMUEL RAPULANE MOGOTOTOANE**  
in his capacity as Manager: Legal Services



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OR

**CHRISTINA JOANNA GOLINO**

OR

**BANE MOEKETSI MALEKE**

OR

**PUMLA MANNYA**

OR

**MAKGOTLA DANIEL PETER MOKUENA**

OR

**BEN CHUCHEKA MHLONGO**

OR

**EMILE DU TOIT**

OR

**JANINE THORNE**

OR

**REMBULUWANI BETHUEL NETSHISWINZHE**

OR

**JAMES MFANVELI TWANA NDLOVU**

OR

**TSHOKOLO PETRUS NCHOCHO**

OR

**SOLOMON ASAMOAH**

in their capacities as Managers: Business Units

be authorised for and on behalf of the Development Bank of Southern Africa to enter into agreements in terms whereof money is:-

1. lent, or
2. granted for the purpose of technical assistance,

and to perform all acts and sign all contracts or any other documentation in connection therewith that may be necessary for the purpose.

20/06/2007

DATE

  
LEGAL SERVICES