

2011 AD
WC 103488/1

LOAN AGREEMENT

entered into between

THE DEVELOPMENT BANK OF SOUTHERN AFRICA LIMITED

And

GEORGE MUNICIPALITY

in respect of the funding of

GEORGE MUNICIPALITY: INFRASTRUCTURE 2009

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- 1.1.8. **"Breakage Costs"** means any direct and properly evidenced costs and losses incurred by the DBSA pursuant to the premature termination, unwinding, closing out or modification of:
- a. any underlying funding instrument raised by the DBSA to raise any funds to advance the Capital (or any portion thereof); and/or
 - b. the derivative transactions entered into by DBSA in order to hedge any interest rate exposure which it may have assumed by concluding this Agreement; and/or
 - c. the amount (if any) determined by the DBSA by which:
 - (i) the interest, which the DBSA would have received for the period commencing on the date of such prepaid principal amount to the next Interest Payment Date, exceeds;
 - (ii) the interest which the DBSA would have obtained by placing an amount equal to the prepaid principal received by it, on deposit with a leading bank in the relevant Interbank Market for the period commencing on the date of receipt of such principal amount and ending on the next Interest Payment Date;
- 1.1.9. **"Capital"** means an amount of R 39 743 000 (thirty nine million seven hundred and forty three thousand rand)
- 1.1.10. **"Change in Law"** means any implementation, introduction, abolition, withdrawal or variation of any applicable laws (including ordinances), regulation, published practice concession or official directive, ruling, request, notice, announcement (including but not limited to any budget speech), guideline by any government entity (whether or not having the force of law) or any change in any interpretation, or the introduction or making of any new or further interpretation, or any new or different competent authority or compliance with any new or different request or direction (in either case whether or not having the force of law) from any government entity;

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1.1.20.2. any arrangement under which money or claims to, or the benefit of, a bank account or other account may be applied, set off or made subject to a combination of accounts so as to effect discharge of any sum owed or payable to any person; or

1.1.20.3. any other type of preferential agreement or arrangement (including any title transfer and retention arrangement), the effect of which is the creation of security,

and "**Encumber**" shall bear a corresponding meaning;

1.1.21. "**Event of Default**" means any event of default as envisaged in clause 17 (*Events of Default*) below;

1.1.22. "**Financial Year**" means the financial year of the Borrower ending on 30th June of each year;

1.1.23. "**IFRS**" means international accounting standards within the meaning of IAS Regulation 1606/2002 to the extent applicable to the relevant financial statements;

1.1.24. "**Interest Payment Date**" means the last Business Day of each Interest Period;

1.1.25. "**Interest Period**" means each period of 6 (six) months beginning on 1 January or 1 July of each calendar year, except that, in respect of the first Interest Period, Interest Period shall mean the period beginning on the date the first Disbursement is made, ending on the Interest Payment Date immediately following the first Disbursement;

1.1.26. "**Interest Rate**" means the 20 years amortising swap rate plus 330 basis points;

1.1.27. "**Loan**" means any loan made under this Agreement, or as the context may require, the principal amount outstanding for the time being of that loan;

1.1.28. "**Loan Discharge Date**" means the date on which the Borrower has paid to the DBSA, in full, all amounts which may become payable by the Borrower

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1.1.32.2. liens arising in the ordinary course of trading by operation of law and not by contract so long as any amount in respect of which such liens arise is not overdue for payment; and

1.1.32.3. any Encumbrance created by any of the Security Documents;

1.1.33. **"Potential Event of Default"** means any event, envisaged in clause 17 (*Events of Default*) which will become an Event of Default:

1.1.33.1. after the expiry of the applicable cure period set out in respect of such event in clause 17 (*Events of Default*); or

1.1.33.2. if notice to remedy is given as envisaged in clause 17 (*Events of Default*) and such event is not remedied within the applicable notice period set out in clause 17 (*Events of Default*);

1.1.34. **"Project"** means George: Infrastructure 2009 as more fully described in **Annexure B** (*Project Description*);

1.1.35. **"Signature Date"** means the date on which this Agreement is signed by the last party signing it;

1.1.36. **"Taxes"** shall mean all taxes (including VAT), charges, imposts, levies, deductions, withholdings or fees of any kind whatsoever, or any amount or payment on account of or as security for any of the foregoing by whomsoever and on whomsoever imposed, levied, collected, withheld or assessed, together with any penalties, additions, fines, surcharges or interest relating thereto, and **"Tax"** and **"Taxation"** shall be construed accordingly; and

1.1.37. **"VAT"** means value added tax payable in terms of the Value-Added Tax Act, 1991, as amended.

1.2. Any reference to the singular includes the plural and *vice versa*;

1.3. Any reference to natural persons includes legal persons and *vice versa*;

1.4. Any reference to gender includes the other genders.



1.16. Where the day on or by which a payment is due to be made or an obligation is to be performed is not a Business Day, such payment shall be made or that obligation done on or by, in the case of a payment due or thing to be done, on the next succeeding Business Day. Interest, fees and charges (if any) shall continue to accrue for the period from the due date which is not a Business Day.

1.17. This Agreement shall be governed by, construed and interpreted in accordance with the law of the Republic of South Africa.

1.18. This Agreement shall bind the Borrower's successors-in-title.

2. RECORDAL

2.1. The Borrower is undertaking the Project and seeks funding in respect thereof.

2.2. The DBSA has, after performing the necessary appraisal of the Borrower, approved the Borrower's application for a loan of R 39 743 000 (thirty nine million seven hundred and forty three thousand rand) subject to the terms and conditions set out in this Agreement.

2.3. The Parties agree as set out below.

3. THE LOAN

3.1. The Loan shall be:

3.1.1. an amount not exceeding, in aggregate, the Capital; and

3.1.2. utilised exclusively for the Project, but notwithstanding anything contained herein, the DBSA shall be under no obligation to monitor or verify the application of any amount borrowed hereunder.

3.2. The Loan proceeds shall be disbursed by the DBSA to the Borrower in accordance with the provisions of this Agreement.

3.3. Disbursement Procedure

3.3.1. The Borrower shall, subject to clause 4 (*Conditions Precedent*), request a Disbursement by delivering to the DBSA the Disbursement Request at least 10 (ten) Business Days (or such shorter time as may be acceptable to the

- 4.1.1.3.2. authorising the Accounting Officer to execute this Agreement, on its behalf;
- 4.1.1.4. proof that the Accounting Officer has complied with the provisions of section 46 (3) of the Municipal Finance Management Act;
- 4.1.1.5. proof that the Western Cape Provincial Government has been advised of this Agreement;
- 4.1.1.6. the Disbursement Request shall have been received during the Availability Period. The DBSA may, after consideration of the reasons for the Borrower's delay to request the first Disbursement, determine to extend the Availability Period. The DBSA shall only consider an extension on receipt of a written request from the Borrower and shall notify the Borrower of its decision in writing.

4.2. All Disbursements

- 4.2.1. The obligation of the DBSA to make any Disbursement shall also be subject to the fulfilment, in form and substance satisfactory to the DBSA, of the conditions that on the date of the Borrower's application for such Disbursement and on the Disbursement Date:
 - 4.2.1.1. the DBSA shall have received all such agreements, documents, statements and instruments as the Borrower is bound to deliver in terms of this Agreement and/or reasonably requested by the DBSA;
 - 4.2.1.2. the representations and warranties made or confirmed by the Borrower, in this Agreement, shall be true on and as of such dates with the same effect as though such representations and warranties had been made on and as of such dates;
 - 4.2.1.3. the Borrower shall certify that no Potential Event of Default or Event of Default has occurred and is continuing and that the proceeds of the Disbursement are needed by the Borrower for the purposes of the Project;



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interest shall accrue on the Overdue Amount from the due date up to the date of actual payment of such Overdue Amount (both before and after judgment (if any)) at the Default Rate.

- 5.3.2. Default Interest due in a particular Interest Period shall be calculated in accordance with the following formula:

$$D1 = \frac{OM \times DR \times d}{365}$$

Where:

D1 = the Default Interest amount;

OM = the Overdue Amount;

DR = the Default Rate;

d = the number of days from the due date of an Overdue Amount to the date of actual payment of such Overdue Amount.

- 5.3.3. Default Interest shall be payable on demand, or if not demanded, on the first Interest Payment Date, after such failure to pay.

- 5.3.4. The provisions of this clause 5.3 are without prejudice to any other rights which the DBSA may have as a result of the failure by the Borrower to pay amounts whether of stated maturity or upon pre-maturity by acceleration or otherwise and if not so specified, as notified by the DBSA to the Borrower.

6. COMMITMENT FEES

- 6.1 No commitment fee will be levied provided the Borrower furnishes the DBSA with a Disbursement Schedule upon signature of the Loan Agreement, and does not deviate from the Disbursement Schedule. Should there be any deviation for the Disbursement Schedule, a commitment fee of 0.5% per annum will be levied on all undisbursed amounts, effective from the date of such deviation. The Borrower shall pay to the DBSA a commitment fee at the rate of 0.5% (nought point five percent) per annum on the Capital which from time to time has not been disbursed nor cancelled.

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- 8.5.1. applied to the Loans being prepaid in inverse order of maturity;
 - 8.5.2. made together with accrued interest on the amount prepaid (together with other amounts than due to DBSA); and
 - 8.5.3. subject to Breakage Costs.
- 8.6. The Borrower shall not prepay all or any of the Loan Outstandings except at the times and in the manner expressly provided in this Agreement.
- 8.7. If any prepayment of all or any part of the Loan Outstandings is made otherwise than on an Interest Payment Date, then the Borrower shall pay DBSA within 3 (three) Business Days of demand by DBSA a sum equal to the Breakage Costs applicable thereto.

9. PAYMENT COVENANTS

- 9.1. All payments to be made by the Borrower in terms of this Agreement shall be made in Rand, in same day funds, free of exchange and bank commission and without deduction or set-off into such bank account as the DBSA may from time to time direct in writing.
- 9.2. The Borrower shall not be entitled to:
- 9.2.1. defer, withhold or adjust any payment due to the DBSA arising out of this Agreement;
 - 9.2.2. obtain deferment or any judgment for or any such payment or part thereof;
 - 9.2.3. obtain deferment of any execution of any judgment, by reason of any set-off or counterclaim of any nature whatsoever and howsoever arising.
- 9.3. All payments made in terms of this Agreement shall be made free and clear of any Taxes and, to the extent that Taxes are payable, the amount to be paid will be increased to the extent necessary such that, after deduction or withholding of Taxes, the DBSA receives the amount that it would have received, but for the Taxes.
- 9.4. If the DBSA at any time receives less than the full amount then due and payable to it under this Agreement, the DBSA may allocate and apply such payment as follows notwithstanding any instruction from the Borrower:

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any other rights of the DBSA under this Agreement, the Security Documents or in law.

- 10.1.5. Any amount of Capital undrawn at the end of the Availability Period shall be automatically cancelled.

10.2. Cancellation by the Borrower

- 10.2.1. The Borrower may at any time upon [30 (thirty)] days' written notice to the DBSA, request the DBSA to cancel all or a portion of the undisbursed portion of the Capital on the date specified in such request.
- 10.2.2. If, after having received a notice in accordance with clause 10.2.1 above, the DBSA is satisfied that the Borrower has sufficient funding available on terms satisfactory to the DBSA, to complete the Project (whilst complying with the provisions of this Agreement); then the DBSA shall, by notice to the Borrower, cancel the requested amount of the undisbursed portion of the Capital effective as of such specified date.
- 10.2.3. Upon cancellation of an undisbursed portion of the Capital in terms of this clause 10 (*Suspension /Cancellation of Disbursements*), the Borrower shall pay to the DBSA a cancellation fee of 0.5% (nought point five percent) on the cancelled portion of the Capital.

10.3. Reinstatement

Unless otherwise provided in this Agreement, no amount of the Capital cancelled under this Agreement may be reinstated.

10.4. Other requirements

- 10.4.1. Unless otherwise agreed by the DBSA, the Borrower may not repay or prepay all or any part of the Loan Outstandings or cancel all or any part of the Capital, except at the times and in the manner expressly provided for in this Agreement.
- 10.4.2. A notice of prepayment and/or cancellation under this Agreement is irrevocable and must specify the relevant date or dates on which the proposed

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11.2. Tax indemnity

11.2.1. Except as provided below, the Borrower indemnifies the DBSA against any direct loss, liability or cost which will be or has been directly or indirectly suffered by the DBSA for or on account of Tax in relation to a payment received or receivable (or any payment deemed to be received or receivable) under this Agreement.

11.2.2. Clause 11.2.1 above does not apply:

11.2.2.1. to any Tax assessed on the DBSA if that Tax is imposed on or calculated by reference to the net income received or receivable by the DBSA. However, any payment deemed to be received or receivable, including any amount treated as income but not actually received by the DBSA, such as a Tax Deduction, will not be treated as net income received or receivable for this purpose; or

11.2.2.2. to the extent a loss, liability or cost is compensated for by an increased payment under clause 11.1.3.

11.2.3. If the DBSA makes, or intends to make, a claim under clause 11.2.1 above, it must promptly notify the Borrower of the event which will give, or has given, rise to the claim, and provide reasonable details regarding the manner and basis upon which the amount claimed was calculated.

11.3. Tax credit

11.3.1. In this Clause, **Tax Credit** means a credit against any Tax or any relief or remission for Tax (or its repayment).

11.3.2. If the Borrower makes a Tax Payment and the DBSA (acting reasonably) determines that:

11.3.2.1. a Tax Credit is attributable to that Tax Payment; and

11.3.2.2. it has finally obtained, used and retained that Tax Credit,



12.2. Economic Failure

12.2.1. If an Economic Failure and/or Material Adverse Effect occurs, which in the opinion of the DBSA may reduce the rate of return which the DBSA may receive on the Capital under any Finance Documents then, at the DBSA's sole discretion:

12.2.1.1. the DBSA may demand in writing that the Borrower shall pay to the DBSA an additional amount as will be sufficient to compensate the DBSA for such reduction in return; or

12.2.1.2. the DBSA shall be entitled to increase the Margin by such percentage as shall be necessary to compensate the DBSA for such reduction in return. The increase in Margin shall take effect from the date specified in a written notice delivered by the DBSA to the Borrower but in any event not less than 30 (thirty) days after the date of such written notice.

12.2.2. If an Economic Failure occurs that in the opinion of the DBSA effects the DBSA's ability to make any advance or to maintain any funding previously advanced, including, but not limited to the DBSA being unable to obtain matched funding in the market for its obligations under this Agreement, the DBSA shall be entitled to withhold further Disbursements.

12.3. Exceptions

The Borrower need not make any payment for an Increased Cost to the extent that the Increased Cost is:

12.3.1. attributable to a Tax Deduction required by law to be made by the Borrower;

12.3.2. compensated for under clause 11.2 (*Tax indemnity*) (or would have been but was not so compensated solely because any of the exclusions in clause 11.2 (*Tax indemnity*) applied); or

13.2. Breakage Costs

The Borrower must pay to the DBSA Breakage Costs if a Loan is repaid or prepaid otherwise than on an Interest Payment Date.

14. POSITIVE UNDERTAKINGS

14.1. In addition to any other undertakings given by the Borrower to the DBSA pursuant to this Agreement, the Borrower gives the undertakings contained in this clause 14 (*Positive Undertakings*).

14.2. Each undertaking is a continuous undertaking and the Borrower shall comply with each undertaking for the entire period which commences on the Signature Date and which terminates on the Loan Discharge Date.

14.3. The Borrower and the Project

14.3.1. The Borrower shall :

14.3.1.1. comply with all law applicable to it;

14.3.1.2. fully and punctually comply with all the terms of this Agreement and any other agreement to which it is a party that is material in the context of the Project and take all necessary action or enforce prompt and proper performance and discharge by the other parties of their respective obligations under the agreements that are material in the context of the Project under the agreements that are material in the context of the Project in a manner consistent with the Borrower's obligations under this Agreement;

14.3.1.3. The Borrower shall ensure proper maintenance of the assets created through this Loan by including it in a maintenance plan which must be part of an asset management plan.

14.3.1.4 The procurement of any services, relative to the Projects, shall be subject to an open tender process, in line with Government policies

14.4 Financial Statements

The Borrower shall deliver its audited annual financial statements to the DBSA within 6 (six) months of the last day of the Financial Year.

14.5 Taxes

The Borrower shall pay all and any Taxes of any nature whatsoever which may become due and payable by it, strictly on due date for payment.

14.6 Reporting

14.6.1 The Borrower shall furnish the DBSA with such project cash flows or revised projected cash flows for each of the uncompleted stages of the Project, at such intervals as the DBSA may reasonably require.

14.6.2 The Borrower shall in writing advise the DBSA of any decision by the Borrower to expand the scope and costs of the Project.

14.6.3 The Borrower shall, promptly, provide the DBSA with such information as the DBSA may, from time to time reasonably request about the Borrower, its operations and the Project, including but not limited to information on the implementation of its Environmental Management Plan, (if any) the proposed changes to actions or costs thereof.

15 REPRESENTATIONS AND WARRANTIES

15.1 In addition to any representation and warranties give elsewhere in the Agreement by the Borrower to the DBSA, the Borrower gives the warranties contained in this clause 15 (*Representations and Warranties*) to the DBSA. Each such warranty:

15.1.1 is a separate and distinct warranty;

15.1.2 is material and does not omit any matter, the omission of which makes any such warranty and representation misleading;

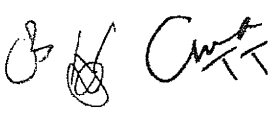
15.1.3 has induced the DBSA to enter into this Agreement;

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- 15.2.8 the Borrower is not aware of any facts or circumstances which could lead to the revocation, suspension or variation of the terms of any Authorisation in connection with the Project;
- 15.2.9 to the best of the Borrower's knowledge and belief (having made due enquiry) no Potential Event of Default or Event of Default has occurred and/or is continuing and no such event will occur as a result of its entering into performing its obligations under this Agreement;
- 15.2.10 the Borrower is not party to any agreement that has or could reasonably be expected to have a Material Adverse Effect on the ability of the Borrower to comply with its obligations in terms of this Agreement;
- 15.2.11 the Borrower is not in default of any of its obligations in respect of other borrowed monies;
- 15.2.12 from the Signature Date and for so long as any moneys are owing under this Agreement, it will:
- 15.2.12.1 ensure that the Project is undertaken and completed in a good and workmanlike manner with good and suitable materials, and in compliance with all applicable technical, safety and environmental regulations and all other relevant statutory or other regulatory requirements and/or consents and approvals;
 - 15.2.12.2 obtain and maintain all further requisite planning consents, building regulation approvals and other matters to enable it to commence, continue with and complete the Project;
 - 15.2.12.3 comply with all relevant laws of the national government and/or the applicable provincial government and/or regulations made thereunder and all by-laws, regulations and codes of practice of any local or competent authority in relation to the Project and all deeds, agreements or other obligations binding upon the owner or occupier of the land upon which the Project is situated and obtain all necessary consents in respect of the Project upon reasonably satisfactory terms;



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- 17.1.4 Authorisations in respect of the Project are modified in a manner unacceptable to the DBSA or are not granted or are revoked or terminated or expire and are not renewed or otherwise cease to be in full force and effect;
- 17.1.5 any third party loan, debt, guarantee or any other obligations constituting indebtedness of the Borrower, whether or not the DBSA is concerned therewith, becomes due and payable prior to its specified maturity by reason of default by the Borrower;
- 17.1.6 the Borrower is unable to pay its debts as and when they fall due for payment, threatens to stop or suspend payment thereof or commences negotiations with its creditors with a view to rescheduling or otherwise compromising its indebtedness;
- 17.1.7 the Borrower allows judgment for an amount in excess of [R100 000,00 (one hundred thousand rand)] to be entered against it and fails to pay the amount of such judgment within [5 (five)] Business Days after the date on which the judgment becomes final (in the sense that the Borrower has exhausted all avenues for appeal or review open to it);
- 17.1.8 the Borrower abandons the Project or suspends the operation of the Project for a period of more than [3 (three)] months;
- 17.1.9 an event occurs which the DBSA reasonably determines to have a Material Adverse Effect and the Borrower is unable, within [30 (thirty)] days of receipt of written notice from the DBSA, to overcome such event.
- 17.2 If an Event of Default occurs, the DBSA shall, in addition to and without prejudice to any other rights which it may have in terms of this Agreement or in law, be entitled without further notice to :
- 17.2.1 accelerate or place on demand payment of all amounts owing by the Borrower to the DBSA (whether in respect of principal, interest or otherwise) and all such amounts shall immediately become due and payable; and/or
- 17.2.2 cancel any undrawn amount of the Capital; and/or
- 17.2.3 require the Borrower to indemnify the DBSA in respect of any loss, claim expense or similar costs incurred as a result of the Event of Default; and/or



23 JURISDICTION

The parties hereby irrevocably and unconditionally consent to the non-exclusive jurisdiction of the South Gauteng High Court, Johannesburg (or any successor to that division) in regard to all matters arising from this Agreement.

24 CERTIFICATE OF INDEBTEDNESS


A certificate signed by any manager of the DBSA (whose appointment and/or designation and/or authority need not be proved) as to the existence of and the amount of indebtedness by the Borrower to the DBSA, that such amount is due and payable, the amount of interest accrued thereon and as to any other fact, matter or thing relating to the borrower's indebtedness to the DBSA in terms of this Agreement, shall be sufficient proof of the contents and correctness thereof for the purposes of provisional sentence, summary judgment or any other proceedings, shall be valid as a liquid document for such purpose and shall in addition, be *prima facie* proof for purposes of pleading or trial in any action instituted by the DBSA arising herefrom.

25 REMEDIES AND WAIVERS

Neither failure by the DBSA to exercise, nor any delay by the DBSA in exercising any right or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any right or remedy prevent any further exercise thereof or the exercise of any other right or remedy. The rights and remedies herein provided are cumulative and not exclusive of any rights or remedies provided by law.

26 COSTS

- 26.1 The Borrower shall bear the costs of and incidental to the negotiation and preparation of this Agreement.
- 26.2 If in any legal proceedings relating to the enforcement by either party of its rights in terms of this Agreement, a court awards costs to any party, such costs shall be determined and recoverable on the scale as between an attorney and his own client and shall include collection charges, the costs incurred by such party in endeavouring to enforce such rights prior to the institution of legal proceedings and the costs incurred in connection with the



or at such other address in the Republic of South Africa of which the party concerned may notify the other in writing provided that no street address shall be changed to a post office box or post restante.

27.3 Any notice given in terms of this Agreement shall be in writing and shall :

27.3.1 if delivered by hand be deemed to have been duly received by the addressee on the date of delivery;

27.3.2 if transmitted by facsimile be deemed to have been received by the addressee on the day following the date of dispatch, unless the contrary is proved.

27.4 Notwithstanding anything to the contrary contained or implied in this Agreement, a written notice or communication actually received by one of the parties from another including by way of facsimile transmission shall be adequate written notice or communication to such party.

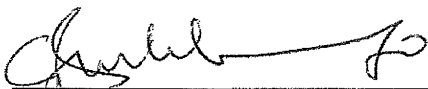
28 RELAXATION

No latitude, extension of time or other indulgence which may be given or allowed by any party to the other Parties in respect of the performance of any obligation hereunder, and no delay or forbearance in the enforcement of any right of any party arising from this Agreement. No single or partial exercise of any right by any party under this Agreement, shall in any circumstances be construed to be an implied consent or election by such party or operate as a waiver or a novation of or otherwise affect any of the party's rights in terms of or arising from this Agreement or estop or preclude any such party from enforcing at any time and without notice, strict and punctual compliance with each and every provision or term hereof.

29 VARIATION

No addition to or variation, consensual cancellation or novation of this Agreement and no waiver of any rights arising from this Agreement or its breach or termination shall be of any force or effect unless reduced to writing and signed by all the Parties or their duly authorised representatives.

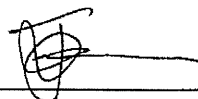
For: **THE DEVELOPMENT BANK OF SOUTHERN AFRICA LIMITED**

Signature: 
who warrants that he / she is duly authorised thereto

Name: C. MHLONGO


Date: 23/6/09

Place: MURRAY

Witness: 

Witness: hebert

For: **GEORGE MUNICIPALITY**

Signature: 
in his capacity as Accounting Officer

Name: C. M. AFRICA

Date: 22. 6. 2009

Place: GEORGE

Witness: 

Witness: 

Annexure B – Project Description

1. INTRODUCTION

1.1 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.

1.2 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 9,500 households. The implementation of the projects will furthermore contribute towards the communities' expectations and the Municipality's objectives of improving existing services, addressing backlogs and creating job opportunities, thereby, ensuring a higher standard of living for all.

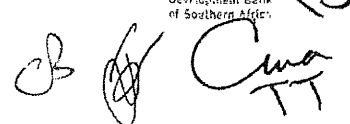
1.3 PROGRAMME OUTPUTS

This element of the Programme consists of sixteen individual projects, related to electrical, municipal buildings, roads, sewage, social, storm water and water infrastructure, included in George Municipality's 2008/09 Capital Expenditure Budget, that are predominantly a continuation (phases) of the Municipality's multi-year bulk and service infrastructure upgrading programmes.

DBSA loan finance, to the amount of R39,743,000, is made available for the funding of the following projects:

| Sector | Description | Loan Amount |
|---------------------------|---------------------------------------|-------------|
| Electrical Infrastructure | Upgrading of 132/66Kv Substation Ph I | 7,568,000 |
| Municipal Buildings | Extension to Civic Centre | 3,000,000 |
| | Extension to Licensing Centre | 1,000,000 |
| Roads & Storm Water | Upgrading of Network - Rural Area | 3,500,000 |
| | Upgrading Storm Water - George South | 4,500,000 |
| Sewage Infrastructure | New Pump station - Welgelegen | 1,675,000 |

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1.5 DESIGN PARAMETERS AND GUIDELINES

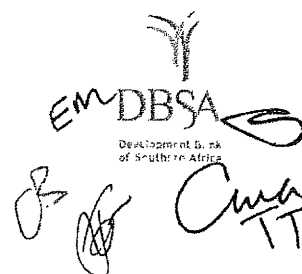
- 1.5.1 Standardised specifications, as compiled by the SABS, shall be used for the design, materials and construction. The design approach and specifications shall make provision for labour-intensive approaches, where appropriate.
- 1.5.2 Design criteria shall include optimal site, infrastructure and space utilisation, cost-effective design and specification, energy efficiency and low-maintenance design approaches.
- 1.5.3 The design, materials and construction work shall be in accordance with the requirements of the applicable Municipal Ordinances.

1.6 IMPLEMENTATION FRAMEWORK

- 1.6.1 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.
- 1.6.2 The Borrower shall promote the involvement of Black Economic Empowerment (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.
- 1.6.3 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.
- 1.6.4 Careful Project execution, management and co-ordination shall be exercised, to ensure cost containment, during implementation.

1.7 ENVIRONMENTAL IMPACT MANAGEMENT

- 1.7.1 Environmental management will be integrated into the management of the Projects. The mechanisms that will guide the implementation of the Projects will, therefore, include in its monitoring, all possible impacts on the environment.



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2.3 Social


- All Projects to be funded, pursuant to this Programme, shall support the expressed development priorities and needs of the beneficiaries;
- The Borrower shall procure that the beneficiaries understand and endorse the level of service chosen in each Project element and that they are willing and able to pay for the cost of the services;
- Project implementation will be accompanied by formalized beneficiary communication arrangements, which will at regular intervals, furnish benefiting communities with full progress reports about the projects;
- The Borrower shall follow an empowerment strategy, that ensures that local skills and resources are mobilized, during the implementation of the Projects;
- Negative impacts of the projects on the affected communities or groups will be sufficiently mitigated to the satisfaction of all parties concerned.

2.4 Institutional Aspect

- Institutional capacity is available within all departments/units responsible for the implementation of Projects. However, any reorganization, re-skilling and other institutional capacity-building needs that arise, during implementation of the Projects shall be addressed timeously and DBSA should be informed accordingly;
- Adequate provision for routine maintenance, in terms of staff, planning, finance and community/stakeholder interaction shall be effected, where necessary;

2.5 Technical

- The planning and design of infrastructure shall be in accordance with national standards, as guided by the "Guidelines for Human Settlement Planning and Design", which are acceptable to the client;
- Existing infrastructure shall be utilized, as far as possible;


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GEORGE: INFRASTRUCTURE 2009

| | SUMMARY | INDICATORS | VERIFICATION | ASSUMPTIONS |
|-------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------|
| 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. | Services both appropriate and affordable | Monthly monitoring by DBSA team as part of Project Monitoring | George Municipality approves the DBSA loan offer and funding conditions |
| PURPOSE | To support socio-economic development in the greater George area through the provision of new and upgrading of existing municipal infrastructure, benefiting approximately 9,500 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. | <ul style="list-style-type: none"> • Increase consumer base. • Improve service provision. • Alignment with Provincial/ National directives | Monthly monitoring as part of Project Monitoring | Developments are approved by stakeholders / direct beneficiaries |
| OUTPUTS | <ul style="list-style-type: none"> • Provision of bulk and reticulation services for the Municipality's housing programme • Construction and upgrading of municipal buildings • Upgrading of various municipal infrastructure services | <ul style="list-style-type: none"> • Continuation with housing development programmes • Improved service provision • Provision of reliable bulk services | <ul style="list-style-type: none"> • Reduced water shortages • Increase in the number of housing units • Accessibility to basic services | Financial and human resources available for implementation of 2008/09 Capital Development Programme |
| ACTIVITIES | Monitoring project implementation | Project elements implemented according to project description, applicable legislation and engineering specifications | Construction and quality to be verified by responsible consultants engineers, local and Provincial authorities | All role players that can contribute to a successful implementation will be involved |

Annexure C

[BORROWER'S LETTERHEAD]

1. Please refer to the Loan Agreement dated [*insert date*] between the [•] Metropolitan Municipality (the "**Borrower**") and the Development Bank of Southern Africa Limited ("**DBSA**"). Terms defined in the Loan Agreement have their defined meanings whenever used in this request.
2. The Borrower further certifies to the best of its knowledge (after due enquiry) as follows:
 - 2.1 the representation and warranties made in the Loan Agreement are true on the date of this request and will be true on the date of Disbursement with the same effect as if such representations and warranties had been made on and as of each such date except as set forth on the certificate accompanying this request;
 - 2.2 the Borrower is not aware (after due enquiry) that any Potential Event of Default or Event of Default has occurred, is continuing or about to occur;
 - 2.3 since the date of the Loan Agreement no changes in the Project or in the financial condition of the Borrower has occurred and no other circumstance has arisen which has or is reasonably likely to have a Material Adverse Effect;
 - 2.4 the proceeds of the Disbursement are at the date of this request required by the Borrower exclusively for the purposes of the Project;
 - 2.5 after receipt of the Disbursement the Borrower will not be in violation of:
 - 2.5.1 any provision contained in any document to which the Borrower is a Party or by which the Borrower is bound; or
 - 2.5.2 any law, rule or regulation, directly or indirectly limiting or otherwise restricting the Borrower's borrowing power or authority or its ability to borrow.
3. The above certifications are effective as at the date of this Disbursement Request and shall continue to be effective as of the date of the Disbursement. If any of these certifications is no longer valid as of or prior to the date of the requested Disbursement, the Borrower undertakes to promptly notify the DBSA unless it is not aware of the same (after due enquiry).

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