

Mr M M Cupido

Email: moos@george.org.za

801 9030

17 December 2010

The Client Portfolio Executive
Public Sector Banking
First National Bank
240 Main Road
RONDEBOSCH
7700

Attention: Ms E Manuel

Madam

LOAN AGREEMENT

Herewith please find two sets of documents to be signed by yourselves.

Please return one set of documents for our records.

Yours faithfully



For. **TREVOR BOTHA**
ACTING MUNICIPAL MANAGER

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LOAN AGREEMENT

Made and entered into by and between:

FIRSTRAND BANK LIMITED
Registration Number: 1929/001225/06
(Hereinafter referred to as "the Bank")

and:

GEORGE LOCAL MUNICIPALITY
(Hereinafter referred to as "the Borrower")

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1. **INTERPRETATION**

In this Agreement, unless the context otherwise indicates –

- 1.1 the singular shall include the plural and vice versa;
- 1.2 words indicating one gender shall import and include the other gender;
- 1.3 the headings to this Agreement are used for the sake of convenience and shall not govern the interpretation hereof;
- 1.4 "the/ this Agreement" means the agreement as set out in this document;
- 1.5 "Bank" means FirstRand Bank Limited (Registration No. 1929/001225/06), acting through any of its divisions as the context may indicate and includes any of FirstRand Bank Limited's wholly owned subsidiaries and divisions which make any part of the Facility available to the Borrower;
- 1.6 "Base Rate" means the Bank's funding rate that shall be fixed at drawdown date or as agreed between the parties;
- 1.7 "Business Day" means any day which is not a Saturday, Sunday or public holiday recognised as such under the Public Holidays Act, 1994 (Act No 36 of 1994);
- 1.8 "GRAP" means Generally Recognised Accounting Practice;
- 1.9 "Interest Cover Ratio" means cash generated by operations divided by the interest paid;
- 1.10 "Interest Period" means a period of 6 (six) months commencing from Drawdown Date, and every 6 (six) months thereafter;
- 1.11 "Interest Rate" means the sum of the Base Rate and the Margin (specified in clause 1.13) that will be embodied in an appendix to the main legal agreement, which appendix or addendum will be signed by the authorized signatories or both parties;
- 1.12 "the Loan" means the loan specified in clause 2;
- 1.13 "Margin" means an interest margin which shall be fixed at 3,2% (three comma two percent);
- 1.14 "Operating Revenue" means property rates plus service charges plus operational grants;

- 1.15 "Payment Date" means the last day of each Interest Period on which the interest and capital will be paid;
- 1.16 "Sovereign Risk Rating" means the global scale long-term local currency risk rating for the Republic of South Africa, as published by Standard & Poor's or Moody's Investor Services.

2. THE LOAN

- 2.1 Upon and subject to the terms and conditions hereinafter set out, the Bank will provide or procure for the Borrower who hereby borrows the sum of **R65 000 000 (Sixty Five Million Rand)**.
- 2.2 Subject to the fulfilment of any conditions precedent, the Borrower shall be entitled to draw down the Loan in one single drawdown of the full facility amount forthwith upon the execution of this Agreement, but no later than 15 March 2011.
- 2.3 If the Borrower fails to draw down the Loan on or before 15 March 2011, the Bank shall be entitled on 7 (seven) Business Days written notice to terminate the Agreement.

3. INTEREST

The Loan shall bear interest at a non-varying rate that will be fixed on drawdown and that will be embodied in appendix to the main legal agreement, which appendix or addendum will be signed by the authorized signatories or both parties. Interest shall be calculated for a period of 6 (six) months commencing from the Drawdown Date, and every 6 (six) months thereafter, plus any interest thereon outstanding from time to time. Any calculation of interest referred to herein shall be done on a NACS (nominal annual, compounded semi-annually) basis. Interest will be payable on the capital amount on a semi-annual basis with the first payment being due 6 (six) months after the Drawdown Date.

4. REPAYMENT

- 4.1 The Loan will be repaid in 30 (thirty) equal, semi-annual amortizing amounts of capital and interest over a period of 15 (fifteen) years, on the last day of each Interest Period, as set out in an appendix to the main legal agreement, which appendix or addendum will be signed by the authorized signatories or both parties.
- 4.2 All payments pursuant to this Agreement will be made by means of debit order, authorisation whereof is contained in this Agreement in clause 19 below. The Bank reserves the right, in its sole discretion, to accept payment made other than by debit order.

5. **CONDITIONS PRECEDENT**

- 5.1 Notwithstanding anything to the contrary in this Agreement, the Borrower shall not be entitled to draw down the Loan unless and until the following conditions precedent have been complied with / fulfilled:
- 5.1.1 a certified copy of a resolution of the Municipal Council, signed by the Mayor of the Borrower, approving the execution and performance of this Agreement together with its annexures, to which it is a party and the terms and conditions thereof; and stipulating:
- 5.1.1.1 the Capital Amount;
- 5.1.1.2 that amendment to this Agreement may only be effected following a resulting resolution of the Municipal Council, in respect of such changes.
- 5.1.2 a certified copy of the notice given by the Municipal Manager 21 (twenty one) days prior to the meeting of the Council at which approval for the Loan was to be considered, in which notice:
- 5.1.2.1 it made public an information statement setting out the particulars of the proposed Loan and specifically the amount of the Loan, the purpose for which the Loan is obtained, any security provided, repayment terms and schedule, total cost of the Loan;
- 5.1.2.2 the public, the National Treasury and the relevant provincial treasury were invited to submit written comments to the Council;
- 5.1.3 a certified copy of the advertisement of the notice and information statement in 5.1.1 above;
- 5.1.4 evidence to the satisfaction of the Bank as to the identity and office bearing of the Municipal Manager, and in respect of whom the Borrower shall have delivered to the Bank certified specimens of the Municipal Manager's signature;
- 5.1.5 the Municipal Manager of the Borrower having signed and initialled each page of the duplicate copy of this Agreement together with annexures and any concomitant schedule(s) (if any), and returning same to the Bank at its earliest convenience. Availability is furthermore subject to the Bank receiving the duly signed originals of the required collateral and/or further agreements (if any);
- 5.1.6 a written statement from the Municipal Manager confirming that the Loan is consistent with its capital budget;
- 5.1.7 the audited financial statements of the Borrower for the immediately preceding Financial Year;

- 5.1.8 as soon as this Agreement is signed, but in any event by no later than 90 (ninety) Business Days after the end of the Signature Date, the Borrower shall provide the Bank with the Budget and audited financial statements of the Borrower for the immediately preceding Financial Year.
- 5.1.9 The Borrower will ensure that:
- 5.1.9.1 each Budget delivered by it pursuant to clause 5.1.8 is prepared in accordance with GRAP;
- 5.1.9.2 the financial statements delivered by it pursuant to clause 5.1.8 are prepared in accordance with GRAP;
- 5.1.9.3 the financial statements delivered by it pursuant to clause 5.1.8 are certified by the Municipal Manager as giving a true and fair view of the financial condition of the Borrower as at the end of the period to which those financial statements relate and of the result of its operations during such period; and
- 5.1.9.4 each set of financial statements delivered by it pursuant to clause 5.1.8 has been audited by the Auditor-General (being that person appointed as Auditor-General in terms of Section 193 of the Constitution of the Republic of South Africa, 1996).

Provided that in the event of the above conditions precedent not having been complied with / fulfilled by the **15th of March 2011** or any other date that may be agreed upon between the parties in writing, then the Bank may terminate this Agreement.

- 5.2 The Borrower renounces all benefits arising from the legal exceptions *non causa debiti* (the defence that there are no grounds for the debt), *errore calculi* (the defence that there was an error in calculation in the amount paid over), *de duobus vel pluribus reis debendi* (the defence which would assist the co-debtor or co-surety to claim that he/she or it is only liable for his/her or its proportionate share of the debt), revision of accounts (the defence that the Borrower or surety did not examine the accounts), and no value received (the defence that no money was paid over to the debtor in the first place), the meaning, effect and legal consequences with which the Borrower has declared that he/she is fully acquainted. (Take note that the English translations given in this clause are used loosely and are not comprehensive.)

6. SPECIAL CONDITIONS

- 6.1 The Borrower undertakes to ensure that all collateral documentation is signed and perfected.
- 6.2 The Borrower undertakes to supply the Bank, with audited Financial Statements that do not materially differ from the drafts already provided within 6 (six) months of its financial year-end.

- 6.3 The Borrower shall not, without the prior written consent of the Bank:
- encumber any of its assets by way of mortgage, pledge, lien, charge, hypothecation or security interest or any other agreement or arrangement having the effect of conferring security on the assets;
 - otherwise than in the ordinary course of business, either in a single transaction or in a series of transactions, whether related or not and whether voluntarily or involuntarily, sell, transfer or otherwise dispose of the whole or the substantial part of its assets or the whole or the substantial part of its undertaking.
- 6.4 The Borrower represents and warrants that –
- 6.4.1 the Borrower is not in default in respect of any of its obligations in respect of money advanced and no event specified as constituting an event of default as set forth above has occurred and is continuing;
- 6.4.2 since applying for the facility there has been no Material Adverse Change in the financial or other condition of the Borrower. For the purposes hereof, “Material Adverse Change” means an event, circumstance or matter or combination of events, circumstances or matters which has or, in the reasonable opinion of FirstRand Bank, will have or would be likely to have a material adverse effect on –
- 6.4.2.1 the business, assets, operations, property, condition (financial or otherwise) or prospects of the Borrower;
- 6.4.2.2 the ability of the Borrower to conduct its business and activities in the normal, regular and ordinary course;
- 6.4.2.3 the ability of the Borrower to perform their obligations under the Loan Agreement; and/or
- 6.4.2.4 the legality, validity or enforceability of the Loan Agreement.
- 6.4.3 it shall comply with the laws of South Africa, and in particular, but not limited to the provisions of the Local Government: Municipal Finances Management Act of 2003 (“MFMA”).
- 6.5 The Bank shall retain the option to re-price the Loan in the event of a downgrade to the Sovereign Risk Rating, which has or may reasonably be expected to have a material adverse effect on the ability of the Borrower to comply with its obligations under the Loan, or which increases or may reasonably be expected to increase the Bank’s costs of making the Loan available to the Borrower.

- 6.6 The Bank shall retain the option to re-price or terminate the Loan in the event of a Material Adverse Change (as defined in clause 6.4.2. above) to the Borrower's circumstances.
- 6.7 The Loan will be subject to and the Borrower undertakes to achieve a debt to operating revenue of below 60% (sixty percent) by its 2013 financial year end.
- 6.8 The Loan will be subject to and the Borrower undertakes that the interest cover ratio (cash generated by operations divided by the interest paid) will at all times exceed 2 times.
- 6.9 The Loan will be valid for acceptance for a period of 90 (ninety) days from the date that this Agreement is submitted to the Borrower, i.e. by no later than 15 March 2011.

7. **EVENTS OF DEFAULT**

- 7.1 If any of the following events, each of which shall be severable and distinct from the others, shall occur, namely –
- 7.1.1 the Borrower commits an act of insolvency, as defined in the Insolvency Act, 1936 (Act No. 24 of 1936); or
- 7.1.2 the Borrower fails to make any scheduled payments required to be made by it under this Agreement within 2 (two) Business Days of the applicable due date; or
- 7.1.3 the Borrower commits a breach of any of the terms and conditions of this Agreement or any of the terms and conditions of any securities which may have been given in respect of this Agreement and such breach is not remedied within a period of 5 (five) days after receipt of written notice of such breach; or
- 7.1.4 the Borrower is liquidated whether provisionally or finally, and whether voluntarily or compulsorily, or is placed under judicial management, or is wound up; or
- 7.1.5 the Borrower enters into any compromise, composition or arrangement with any of its creditors or attempts to do so; or
- 7.1.6 the Borrower ceases to carry on its business in a normal and regular manner; or
- 7.1.7 the Borrower defaults in the due payment or due performance of any amount payable or obligation to be performed under any agreement which amount or which obligation the Bank considers to be material; or

- 7.1.8 any material indebtedness or obligation for monies borrowed constituting indebtedness of the Borrower shall become due and payable prior to its specified maturity by reason of default, or shall not be paid when due; or
- 7.1.9 the Borrower shall default in the due payment of any amount falling due for payment under any suretyship or other guarantee to which it is a party; or
- 7.1.10 the Borrower suffers any default judgment against it to remain unsatisfied for 30 (thirty) days, or is refused a rescission of any default judgment; or
- 7.1.11 the Borrower stops payment of any liquid document made payable to the Bank; or
- 7.1.12 the Borrower fails for whatever reason, at any time during the duration of this Agreement, to record a trading profit during any one or more year's trading; or
- 7.1.13 the Borrower permits any of its assets to be attached under a warrant of execution which is not set aside within a period of 30 (thirty) days after service thereof upon the Borrower.

Then, without prejudice to any other rights that might thereupon be available to the Bank, the full amount owing in terms of this Agreement together with all interest then accrued but unpaid and other charges shall forthwith become due and payable by the Borrower.

AND

With or without acceleration in terms hereof the margin agreed upon in clause 1.13 above shall no longer apply and the Bank shall be entitled to recover the maximum finance charge rate as prescribed from time to time in respect of finance charges and additional finance charges.

- 7.2 If any of the events specified above in this "events of default" clause become applicable (where possible) in respect of any person, other than the Borrower, who provides the Bank with any form of security in respect of this Agreement (and for such purpose, a reference to "Borrower" in this "events of default" clause shall be read and construed as a reference to such person), then, upon the occurrence of such event, an event of default shall be deemed to have taken place for the purposes of this Agreement, thereby entitling the Bank and its wholly owned subsidiaries and divisions to avail itself of the remedies specified in this "events of default" clause.

8 REPRESENTATIONS AND WARRANTIES

- 8.1 The Borrower represents and warrants that –

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- 8.1.1 its acceptance of the terms of this Agreement has been duly authorised and does not contravene any law or any contractual obligation binding upon it;
- 8.1.2 there is no material litigation or similar proceedings, to the knowledge of the Borrower, presently pending or threatened which would have a material adverse effect on the business or assets of the Borrower;
- 8.1.3 the Borrower is not in default in respect of any of its obligations in respect of money advanced and no event specified as constituting an event of default as set forth above has occurred and is continuing;
- 8.1.4 all information supplied or to be supplied to the Bank by the Borrower concerning the Borrower's business as contained in the Borrower's balance sheets, trading and profit and loss accounts, cash flows and other financial statements or accounts, is true and correct in all material respects and will in future be true and correct in all material respects;
- 8.1.5 all consents, licences, permits, registrations, or declarations required to be obtained or made in order to render the loan agreement legal, valid, binding and enforceable have been made or obtained;

9 ACCELERATED REPAYMENT

- 9.1 If there is a Change in Law which renders, will render or may have the effect of rendering this Agreement and/or any of the agreements or anything done or to be done pursuant thereto illegal, invalid or unenforceable and the Parties in good faith fail to rectify such illegality, invalidity or unenforceability (provided such illegality, invalidity or unenforceability is capable of being rectified), or agree upon alternative acceptable provisions, within 10 (ten) Business Days or such longer period as may be agreed to between the Parties, after receipt of notice from the Bank advising the Borrower of the relevant change, then the Bank shall, in addition to and without prejudice to any other rights it may have in terms of this Agreement or in law, be entitled to call upon the Borrower without further notice to repay the outstanding Loan at such date together with all accrued interest thereon plus any other amounts outstanding in terms of this Agreement, which amounts shall immediately become due and payable.
- 9.2 In addition to clause 9.1, the Borrower shall have the right to prepay the Loan upon it:
- 9.2.1 giving the Bank at least 5 (five) Business Days prior written notice to such effect, and
- 9.2.2 only out of internally generated cash flows,

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- 9.2.3 with the provision that all financial covenants as contained in this Agreement shall not in any way be breached after the making of such prepayment, and
- 9.2.4 with the provision that the Borrower shall be liable for the payment to the Bank of:
- 9.2.4.1 a prepayment penalty which shall be equal to 3% (three percent) of any amount prepaid (plus any VAT attributable thereto) ("the Prepayment Penalty"); plus
- 9.2.4.2 an additional amount to compensate the Bank for any Breakage Costs, if any. For the purposes hereof, "Breakage Costs" shall mean any costs, charges, interest, expenses, liabilities, losses and disbursements actually suffered or incurred by or successful claims made against the Bank in relation to the termination or modification of any hedging arrangements (including *inter alia*, any loan, swap, forward interest rate agreement, foreign exchange contract or other financial instrument relating directly or indirectly to the transaction) on account of any funds borrowed, contracted for or utilised to fund any amount payable or advanced under the Loan.
- 9.3 Any Prepayment Penalty or Breakage Costs due in terms of clause 9.2.4, above shall be made by the Borrower to the Bank simultaneously with the date that the prepayment is made.
- 9.4 In addition to any Prepayment Penalty or Breakage Costs made by the Borrower as contemplated in clause 9.2.4 above, if the Borrower early settles the full Loan:
- 9.4.1 within 2 (two) years of date of draw down of the Loan or as a result of obtaining finance from another financial institution then an early settlement penalty shall be payable which shall be equal to 3% (three percent) of the outstanding Loan as at the date that the Borrower early settles the full Loan;
- 9.4.2 at any time after 2 (two) years of date of draw down of the Loan or as a result of obtaining finance from another financial institution then an early settlement penalty shall be payable which shall be equal to 2% (two percent) of the outstanding Loan as at the date that the Borrower early settles the full Loan;
- 9.4.3 subject to the payment of any additional amount to compensate the Bank for any Breakage Costs.
- 9.5 In addition, further to any Prepayment Penalty or Breakage Costs made by the Borrower as contemplated in clause 9.2, above, the Borrower will also be liable to the Bank for the present value of all the future total margins, calculated by using the appropriate risk free discount rates. Any early settlement penalty and Breakage Costs due and payable in terms of clause

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9.4, above shall be made by the Borrower to the Bank simultaneously with the date that early settlement of the full Loan is made.

9.6 No prepayments or early settlement made by the Borrower pursuant to this clause 9 shall discharge or release the Borrower from any contingent liability arising out of this Agreement.

9.7 No prepayments or early settlement as contemplated in this clause 9 shall be available to be redrawn by the Borrower

10 CHANGE(S) IN CIRCUMSTANCES

10.1 If at any time or times during the currency of this Agreement –

10.1.1 any new law, ruling or regulation is promulgated, given or adopted;

10.1.2 there are any changes to any present or future law, ruling or regulation;

10.1.3 there are any changes in the interpretation or administration of any law, ruling or regulation by any relevant monetary or fiscal authority, including, without limitation, Basel II;

10.1.4 there are any amendments to the Banks Act, 1990 (Act No. 94 of 1990);

10.1.5 there is any compliance by the Bank with any directive or request, whether or not having the force of law, from any monetary or fiscal authority;

which would or does –

(a) subject the Bank to any taxes, duties, or other charges in respect of this Agreement or change the basis of taxation of the Bank in respect of payments of principal or interest / fees payable to the Bank (except for changes in the rate of taxation on the overall net income of the Bank); or

(b) impose, modify or deem applicable any reserve, special deposit or similar requirement against assets of, deposits with or for the account of, or credit extended by the Bank; or

(c) impose on the Bank any other obligation or condition affecting the Loan or its commitment in terms of this Agreement;

and the result of any of the above is to increase the cost to the Bank of making any advance or maintaining this Agreement or to reduce any amount or amounts received or receivable or loanable by the Bank hereunder by a sum which the Bank deems material, then the Borrower shall reimburse the Bank, on demand and while such circumstances continue, such increased costs, liquidity costs, margin, reduction in rate of return, or decrease in rate as the Bank may require or such additional

amount or amounts which will compensate the Bank for such additional cost or reduced receipts.

- 10.2 The Bank shall give the Borrower 30 (thirty) days notice of all amounts payable in terms of this clause 10. A certificate signed by any manager of the Bank (whose appointment it shall not be necessary to prove) as to such additional amount/s shall be prima facie proof for all purposes in the absence of manifest error.
- 10.3 If the Borrower is required to pay additional amount/s to the Bank pursuant to clause 9 above, it shall be entitled to prepay any amounts owed in terms hereof without penalty, or to forthwith cancel any unutilised portion of the Loan by giving the Bank 30 (thirty) days written notice thereof.
- 10.4 Without detracting from any other rights that the Bank may have, the Borrower furthermore acknowledges that the Bank has approved and is providing the Loan based on the present circumstances of the Borrower as well as the industry and environment within which it operates. The Borrower understands and agrees that certain circumstances may arise that would have the effect of materially altering the basis upon which said Loan was/is given. Should any event or series of events accordingly occur which, in the reasonable opinion of the Bank, has or may be expected to have an adverse effect on the ability of the Borrower to comply with its obligations hereunder, the Bank shall, by giving written notice, have the right to change the terms of the Loan with the Borrower. Should the new terms upon which the Bank is prepared to continue to make the Loan available not be acceptable to the Borrower, all outstanding amounts will, without further notice, immediately become due and payable and the Borrower, or any other entities indebted in terms of this Agreement will immediately effect payment of such outstanding amounts.

11 CERTIFICATE OF INDEBTEDNESS

A certificate signed by any manager of the Bank (whose appointment it shall not be necessary to prove) as to any indebtedness of the Borrower hereunder, or as to any other fact, shall be prima facie evidence of the Borrower's indebtedness to the Bank or of such other fact for the purpose of any application or action, judgment or order or for any other purpose whatsoever.

12 DOMICILIA

- 12.1 The parties respectively choose their domicilia citandi et executandi for all notices and processes to be given or served in pursuance hereof at the following addresses:

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12.1.1 THE BANK: 7th floor, 4 FirstPlace BankCity
Cnr Pritchard and Simmonds Streets
JOHANNESBURG
2001;
Telefax: (011) 371 8856

12.1.2 THE BORROWER: MUNICIPALITY OF GEORGE
77 YORK STREET
GEORGE 6530
Telefax: 044-8019175

16


12.2 Any notice or communication required or permitted to be given in terms of this Agreement will be valid and effective only if given in writing and delivered by hand or by post or telefax.

12.3 Either party may by written notice to the other party change its chosen domicilium to another physical address, provided that the change will become effective on the 7th (seventh) day after the receipt of the notice by the addressee and provided such other physical address is in the Republic of South Africa.

12.4 Any notice to a party sent by post and contained in a correctly addressed envelope and:

12.4.1 sent by prepaid registered post to it at its chosen address; or


12.4.2 delivered by hand to a responsible person during ordinary business hours at its chosen domicilia;

will be deemed to have been received, in the case of registered post as set forth above, on the 7th (seventh) Business Day after posting (unless the contrary is proved) and, in the case of delivered by hand as abovesaid, on the day of delivery.

Any notice by telefax to a party at its telefax number will be deemed, unless the contrary is proved, to have been received within 12 (twelve) hours of transmission where it is transmitted during normal business hours or within 12 (twelve) hours of the 1st (first) Business Day after it is transmitted where it is transmitted outside those business hours.

13 ENTIRE AGREEMENT

This Agreement constitutes the entire agreement between the parties and any amendment, addition, alteration or cancellation to the provisions hereof shall only be deemed to be of force and effect if such amendment, addition, alteration or cancellation is reduced to writing and signed by the parties.

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14 **COSTS AND EXPENSES**

All legal costs as between attorney and his own client, charges and disbursements and fees of a like nature incurred by the Bank in successfully enforcing or defending any of the provisions of this Agreement, or any claim thereunder, shall be for the account of the Borrower and be payable on demand.

15 **JURISDICTION**

15.1 The Borrower hereby consents and submits to the jurisdiction of the Magistrate's Court having jurisdiction over its person in respect of all proceedings connected with this Agreement, notwithstanding that the amount claimed or the value of the matter in dispute exceeds such jurisdiction: Provided that the Bank shall not be obliged to institute action in the Magistrate's Court.

15.2 Notwithstanding the provisions of this clause, the Bank shall be entitled to institute all or any proceedings against the Borrower in connection with this Agreement in the High Court of South Africa (South Gauteng High Court) and the Borrower hereby consents and submits to the jurisdiction of that court and agrees that any costs and/or expenses awarded against the Borrower be awarded or paid in accordance with clause 14 above on the High Court tariff.

16 **INDULGENCE**

No relaxation or indulgence granted by the Bank to the Borrower from time to time shall be deemed to be a waiver of the Bank's rights in terms hereof, nor shall any such relaxation or indulgence be deemed to be a novation or waiver of the terms and conditions of this Agreement.

17 **APPLICABLE LAW**

This Agreement shall in all respects be governed by and construed in accordance with the law of the Republic of South Africa, and all disputes, actions and other matters in connection therewith shall be determined in accordance with such law.

18 **CESSION**

The Bank shall be entitled, without notice to the Borrower, to cede all or any of its rights in terms hereof.

19 **DEBIT ORDER AUTHORISATION**

19.1 The Bank shall be entitled to originate debits to the Borrower's current account at:

BANK: ABSA
BRANCH: GEORGE - 632005
ACCOUNT NUMBER: 01022220981

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or any other bank or branch to which the Borrower may subsequently transfer its account, with all amounts due or which might at any future time become due by the Borrower under this Agreement.

- 19.2 This authority shall in no way be construed as substituting, varying or novating the Borrower's obligation under this Agreement.
- 19.3 The Borrower acknowledges that the withdrawals hereby authorised may be processed by debiting the Borrower's account, in which event the Borrower will not receive any voucher if its account is computerised, but details of each withdrawal will be reflected on its bank statement.

20 **EXECUTION**

This Agreement is executed for and on behalf of –

20.1 **THE BANK** by _____ and _____ in their capacities as _____ and _____ of the Bank;

20.2 **THE BORROWER** by T BOTHA and MM CUPIDO in his/their capacity(ies) as ACTING MUNICIPAL MANAGER and ACTING DIR.: FINANCE of the Borrower, he/they being duly authorised hereto under and by virtue of a resolution passed by the Municipal Council of the Borrower on the 17 day of DECEMBER 2010.

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THUS DONE AND SIGNED AT _____ on this the _____ day of _____ 2010 in the presence of the undersigned witness:

AS WITNESS:

for and on behalf of:
THE BANK

(Initial, surname and signature)


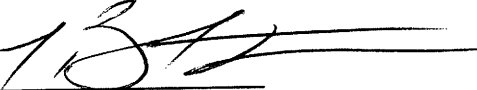
(Initial, surname and signature)


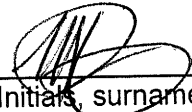
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THUS DONE AND SIGNED AT GEORGE on this the 17 day
of DECEMBER 2010 in the presence of the undersigned witness:

AS WITNESS:

for and on behalf of:
THE BORROWER

CE JAUSEN VAN OUREN  T. BOTHA 
(Initials, surname and signature)


LMA MAKSELLA  MM Cupido 
(Initials, surname and signature)


Pricing and Repayment Addendum for George Municipality

15 Year Loan		As at 17 December 2010		
Amount:	R 65,000,000.00	Base Rate:	Fixed	
Term (Years):	15	Base Rate:	7.810%	
Drawdown Date:	3-Jan-11	Total Margin:	3.200%	
Repayment:	Amortising semi-annually	Total Rate:	11.010%	
Date	Semi-annual Payment	Cap Outstanding	Capital Portion	Interest portion
03 January 2011		-R 65,000,000.00		
30 June 2011	R 4,471,446.91	-R 64,018,572.27	R 981,427.73	R 3,490,019.18
30 December 2011	R 4,471,446.91	-R 63,081,003.17	R 937,569.10	R 3,533,877.81
29 June 2012	R 4,471,446.91	-R 62,072,651.49	R 1,008,351.68	R 3,463,095.23
31 December 2012	R 4,471,446.91	-R 61,065,113.62	R 1,007,537.86	R 3,463,909.05
28 June 2013	R 4,471,446.91	-R 59,890,831.52	R 1,174,282.11	R 3,297,164.80
31 December 2013	R 4,471,446.91	-R 58,779,604.83	R 1,111,226.68	R 3,360,220.23
30 June 2014	R 4,471,446.91	-R 57,517,379.41	R 1,262,225.42	R 3,209,221.49
31 December 2014	R 4,471,446.91	-R 56,238,288.89	R 1,279,090.53	R 3,192,356.38
30 June 2015	R 4,471,446.91	-R 54,837,313.88	R 1,400,975.01	R 3,070,471.90
31 December 2015	R 4,471,446.91	-R 53,409,473.11	R 1,427,840.77	R 3,043,606.14
30 June 2016	R 4,471,446.91	-R 51,870,162.38	R 1,539,310.73	R 2,932,136.18
30 December 2016	R 4,471,446.91	-R 50,261,991.06	R 1,608,171.31	R 2,863,275.60
30 June 2017	R 4,471,446.91	-R 48,549,886.15	R 1,712,104.91	R 2,759,342.00
29 December 2017	R 4,471,446.91	-R 46,743,788.09	R 1,806,098.06	R 2,665,348.85
29 June 2018	R 4,471,446.91	-R 44,838,536.73	R 1,905,251.36	R 2,566,195.55
31 December 2018	R 4,471,446.91	-R 42,869,264.44	R 1,969,272.29	R 2,502,174.62
28 June 2019	R 4,471,446.91	-R 40,712,511.16	R 2,156,753.27	R 2,314,693.63
31 December 2019	R 4,471,446.91	-R 38,525,270.37	R 2,187,240.80	R 2,284,206.11
30 June 2020	R 4,471,446.91	-R 36,168,829.14	R 2,356,441.23	R 2,115,005.68
31 December 2020	R 4,471,446.91	-R 33,704,841.43	R 2,463,987.71	R 2,007,459.20
30 June 2021	R 4,471,446.91	-R 31,073,595.75	R 2,631,245.67	R 1,840,201.23
31 December 2021	R 4,471,446.91	-R 28,326,810.03	R 2,746,785.72	R 1,724,661.18
30 June 2022	R 4,471,446.91	-R 25,401,937.10	R 2,924,872.93	R 1,546,573.98
30 December 2022	R 4,471,446.91	-R 22,332,698.00	R 3,069,239.10	R 1,402,207.81
30 June 2023	R 4,471,446.91	-R 19,087,297.86	R 3,245,400.14	R 1,226,046.76
29 December 2023	R 4,471,446.91	-R 15,663,727.91	R 3,423,569.94	R 1,047,876.96
28 June 2024	R 4,471,446.91	-R 12,052,206.79	R 3,611,521.12	R 859,925.79
31 December 2024	R 4,471,446.91	-R 8,256,958.03	R 3,795,248.77	R 676,198.14
30 June 2025	R 4,471,446.91	-R 4,236,320.67	R 4,020,637.36	R 450,809.55
31 December 2025	R 4,471,446.91	R 0.00	R 4,236,320.67	R 235,126.24

R 134,143,407.26

Authorised Signatories: George Municipality


 Name: TREVOR BOTHA
 Title: ACTING MUNICIPAL MANAGER
 Date: 17 DECEMBER 2010


 Name: M M CUPIDO
 Title: ACTING DIRECTOR : FINANCIAL SERVICES
 Date: 17 DECEMBER 2010

Authorised Signatories: First National Bank, a division of FirstRand Bank

Name:
 Title:
 Date:

Name:
 Title:
 Date:

MINUTES OF THE MEETING OF THE GEORGE LOCAL MUNICIPALITY
(“the Local Municipality”)

TAKEN AT GEORGIE ON 25 NOVEMBER 2010

IT IS RESOLVED THAT:

- a) The Local Municipality borrows R65 000 000 (Sixty Five Million Rand) as a term loan facility from the FIRSTRAND BANK LIMITED (Reg. No. 1929/001225/06) acting through its FNB Public Sector Banking division (“the Bank”). A copy of the loan agreement was exhibited to and approved by the Mayor at the meeting.
- b) The Local Municipality furthermore resolves that any amendment to the above facilities will only be effected following a resolution by the Local Municipality authorising such amendments.

Draft copies of the aforementioned documents were tabled at the meeting and the terms and conditions thereof approved.

It was further resolved that:

T. BOTHA and MM Cupido in his/their
ACTING: MUNICIPAL MANAGER and ACTING: DIRECTOR FINANCIAL SERVICES
capacity/ies as MUNICIPAL MANAGER and DIRECTOR FINANCIAL SERVICES of the Local Municipality, be authorised and empowered to sign all documents and do all things necessary to give effect to the above on behalf of the Local Municipality.


BAZIL PEILUS 17.12.10
MAYOR OF THE GEORGE LOCAL MUNICIPALITY

**AGENDA ORDINARY COUNCIL MEETING 25 NOVEMBER 2010****11.7 FUNDING OF CAPITAL EXPENDITURE FOR 2010/11 : APPROVAL OF DEBT ARRANGEMENTS (5/1/1) LEW/mm****PURPOSE**

Acceptance of the loan proposal for the Capital Expenditure of the George Municipality for the 2010/11 financial year.

BACKGROUND

Council on 28 October 2010 noted the following item 11.6:

"In terms of Section 46(3) of the Municipal Finance Management Act, 2003 (No 56 of 2003):

"A municipality may incur long-term debt only if the accounting officer of the municipality-

(a) has, in accordance with section 21A of the Municipal Systems Act-

(i) at least 21 days prior to the meeting of the council at which approval for the debt is to be considered, made public an information statement setting out particulars of the proposed debt, including the amount of the proposed debt, the purposes for which the debt is to be incurred and particulars of any security to be provided; and

(ii) invited the public, the national treasury and the relevant provincial treasury to submit written comments or representations to the council in respect of the proposed debt; and

(b) has submitted a copy of the information to the municipal council at least 21 days prior to the meeting of the council, together with particulars of-

(i) the essential repayment terms, including the anticipated debt repayment schedule; and

(ii) the anticipated total cost with such debt over the repayment period"

AGENDA ORDINARY COUNCIL MEETING 25 NOVEMBER 2010**MOTIVATION**

In compliance with the above please find as Annexure "A" the Information Statement as published in the local newspaper. The essential repayment terms, including the anticipated debt repayment scheduled with the total cost is attached as Annexure "B". Please note that the debt repayment schedule is based on an indicative interest rate as on 13 September 2010.

An item for the approval of the loan from First Rand Bank will be submitted once the public participation process has been concluded. "

This next step of the process as outlined in Section 46 of the MFMA follows now.

The information statement was published in the local newspaper on Thursday, 30 September 2010, inviting the public to comment on the anticipated loan funding.

No comments were received from the public.

National and Provincial Government were also approached for their comments on the information statement.

No comments were received to include in the item. If their comments are received before the Council meeting, it will be circulated at the meeting.

DIRECTORATES COMMENTS**a) Electro-Technical Services**

N/A

b) Civil Engineering Services

N/A

c) Legal Services

Mention is made of the taking-up of a loan from First Rand Bank. It is accepted that the prescribed supply chain procedures have been followed to secure the loan from the said bank. The loan agreement must be submitted to this section for scrutiny before signature.

**AGENDA ORDINARY COUNCIL MEETING 25 NOVEMBER 2010****d) Financial Services**

N/A

e) Acting Municipal Manager

N/A

LEGAL IMPLICATIONS

Municipal Finance Management Act, 56 of 2003
Municipal Systems Act, 32 of 2000

OPSOMMING:

Die Raad het op sy vergadering van 28 Oktober 2010 kennis geneem van die inligtingstaat. Geen kommentaar is vanaf die publiek ontvang nie. Nasionale en Provinsiale Tesourie is ook versoek om kommentaar te lewer. Tot op datum is ook van hulle geen kommentaar ontvang nie. Indien kommentaar ontvang word voor die vergadering sal dit tydens die vergadering gesirkuleer word.

Die Raad moet nou die opneem van die lening goedkeur.

RECOMMENDATION:

- (a) that it be resolved that a debt agreement for an external loan in the amount of R65 million be obtained from First Rand Bank at a fixed interest rate per annum for a period of 15 years be approved for the 2010/11 financial year. **[FD]**

AANBEVELING:

- (a) dat 'n skuldooreenkoms ten opsigte van 'n eksterne lening ten bedrae van R65 miljoen met First Rand Bank teen 'n vaste rentekoers vir 'n periode van 15 jaar aangegaan word, ten opsigte van die 2010/11 finansiële jaar, goedgekeur word. **[FD]**

MINUTES ORDINARY COUNCIL MEETING 25 NOVEMBER 2010**11.7 FUNDING OF CAPITAL EXPENDITURE FOR 2010/11: APPROVAL OF DEBT ARRANGEMENTS (5/1/1) LEW/mm****RESOLVED**

that a debt agreement for an external loan in the amount of R65 million be obtained from First Rand Bank at a fixed interest rate per annum for a period of 15 years be approved for the 2010/11 financial year. **[FD]**

BESLUIT

dat 'n skuldooreenkoms ten opsigte van 'n eksterne lening ten bedrae van R65 miljoen met First Rand Bank teen 'n vaste rentekoers vir 'n periode van 15 jaar aangegaan word, ten opsigte van die 2010/11 finansiële jaar, goedgekeur word.

Magda Meyer - FW: Re: FW: George Munie Term Loan R65m

From: "Manuel, Elaine" <Elaine.Manuel@fnb.co.za>
To: "Leon Wallace" <LeonW@george.org.za>
Date: 08/12/2010 10:13:42
Subject: FW: Re: FW: George Munie Term Loan R65m
CC: <magda@george.org.za>, "van der Spuy, Carla" <CvanderSpuy@fnb.co.za>, "Coetzee, Lizelle" <lizelleCoetzee@fnb.co.za>

Dear Leon

We wish to thank the Municipality for having agreed to take up the loan with FNB.

Enclosed please find the following documents for signature by the Municipality:

Loan Agreement
 Resolution

Kindly note the following:

Each page of the Loan Agreement to be initialed by the signatories and witnesses ✓
 Address on page 13 to be completed
 Bank account details for the debit order to be completed on page 15
 Only paragraph 20.2 on page 15 to be completed .Not the section below as this is for the Bank to complete and sign
 Place and date to be completed and document signed on page 16

The repayment schedule needs to be signed by the same signatories (of the above documents) on the date that the rate is set.

Kindly advise whether the signatories will be available to sign the schedule on the 3 January 2010.
 If not then the rate can be set next week if you will kindly advise us which date the signatories will be available to sign in the morning before 12h00.

It is important for the Agreement and Resolution to be signed before the repayment schedule.
 The above signed documents can be scanned and emailed to us and thereafter the schedule will be prepared for signature .

Once the signed documents have been emailed to us we will arrange for the collection of the original documentation.

Please feel free to call me should any of the above be unclear.

Thank you and regards

Elaine Manuel
Client Portfolio Executive

Public Sector Banking
 Ground Floor, Great Westerford Building
 240 Main Road, Rondebosch, 7700
 Tel: 021 659 5003, Fax: 086 616 8455
 Mobile: 079 874 1580
 e-mail elaine.manuel@fnb.co.za



A division of FirstRand Bank Limited. An Authorised Financial Services Provider and Credit Provider (NCRCP20)
 Directors: LLDippenaar (Chairman), SE Nxasana (CEO), VW Bartlett, JJH Bester, JP Burger, PM Goss, PK Harris, WR Jardine,
 EG Matenge-Sebesho, RK Store, BJ van der Ross, HJvanGreuning, MH Visser, Company Secretary: BW Unser.

From: Manuel, Elaine
Sent: 06 December 2010 04:36 PM

Leon Wallace - George Municipality Loan Tender R65m

From: "Manuel, Elaine" <Elaine.Manuel@fnb.co.za>
To: "Leon Wallace" <LeonW@george.org.za>
Date: 14/12/2010 09:53
Subject: George Municipality Loan Tender R65m
CC: "van der Spuy, Carla" <CvanderSpuy@fnb.co.za>, "Coetzee, Lizelle" <lizelleCoetzee@fnb.co.za>, <magda@george.org.za>

Dear Mr Wallace

We enclose the following reviewed documents for signature by the Municipality on Wednesday morning 15th December 2010:

Loan Agreement (you may destroy the previous copies of the Agreement as this is the final copy)
Resolution

Kindly note that the Repayment and Pricing Schedule will be sent to you tomorrow morning after 09h00.

All the above three documents being signed tomorrow morning must be scanned and sent to us via email before 12h00 so that the rate can be locked.

If you could please arrange for the signatories to be available during the course of the morning that would be most appreciated.

We will arrange for a representative from FNB to collect the original documents from you.

You queried the "interest period" on page 2 of the Agreement:

Our legal department have advised that this paragraph relates to the fact that your interest period is every six months and not monthly or quarterly.

The conditions on page 5 refers to the Municipality providing the Bank with the 2010 Annual Financial Statements and Budgets by 15 March 2011.

Please feel free to contact us should anything be unclear. We look forward to the finalization of the above.

Thank you and regards

Elaine Manuel
Client Portfolio Executive

Public Sector Banking

Ground Floor, Great Westerford Building
240 Main Road, Rondebosch, 7700
Tel: 021 659 5003, Fax: 086 616 8455
Mobile: 079 874 1580
e-mail elaine.manuel@fnb.co.za



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To read FirstRand Bank's Disclaimer for this email click on the following address or copy into your Internet browser:

<https://www.fnb.co.za/disclaimer.html>

If you are unable to access the Disclaimer, send a blank e-mail to firstrandbankdisclaimer@fnb.co.za and we will send you a copy of the Disclaimer.

To: 'Leon Wallace'
Cc: van der Spuy, Carla; Coetzee, Lizelle; Magda Meyer
Subject: RE: Re: FW: George Munie Term Loan

Thank you Leon .The 3 January 2011 is confirmed.

Regards

Elaine Manuel
Client Portfolio Executive

Public Sector Banking
Ground Floor, Great Westerford Building
240 Main Road, Rondebosch, 7700
Tel: 021 659 5003, Fax: 086 616 8455
Mobile: 079 874 1580
e-mail elaine.manuel@fnb.co.za



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EG Matenge-Sebesho, RK Store, BJ van der Ross, HJvanGreuning, MH Visser, Company Secretary: BW Unser.

From: Leon Wallace [mailto:LeonW@george.org.za]
Sent: 06 December 2010 04:19 PM
To: Manuel, Elaine
Cc: van der Spuy, Carla; Coetzee, Lizelle; Magda Meyer
Subject: FW: Re: FW: George Munie Term Loan

Dear Elaine

We have decided to do the draw down on 3 January 2011 so that we can make our first bi-annual payment at the end of June 2011.

Regards

Leon

>>> "Manuel, Elaine" <Elaine.Manuel@fnb.co.za> 06/12/2010 12:06 >>>
Dear Leon

Thank you for the advisement that Council has agreed to the taking up of the Loan of R65m with FirstRand Bank .
Yes the Agreement would need to be signed before the draw down date.Our legal department is currently in the process of drafting the Loan Agreement which we will let you have in a day or two.

In addition a Pricing and Repayment Schedule would also need to be signed.Since the interest rate indicated would be fixed, the schedule would only be available on the date of draw down.

Would you be so kind and confirm to us when Council has agreed for the draw down date to be.

Many thanks and regards

Elaine Manuel
Client Portfolio Executive

Public Sector Banking
Ground Floor, Great Westerford Building
240 Main Road, Rondebosch, 7700
Tel: 021 659 5003, Fax: 086 616 8455