

LOAN AGREEMENT

in respect of

STELLENBOSCH BULK INFRASTRUCTURE PROGRAMME: PHASE 2

made and entered into by and between

STELLENBOSCH MUNICIPALITY

and

THE DEVELOPMENT BANK OF SOUTHERN AFRICA LIMITED

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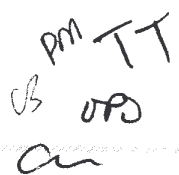

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SUMMARY

- 1. LOAN AMOUNT : R30 000 000.00.
- 2. LOAN PERIOD : 15 years.
- 3. INTEREST RATE
 - 3.1 FIXED INTEREST RATE : R157 plus 90 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 33 (thirty three) 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 90 (ninety) basis points.
- 4. GRACE PERIOD FOR CAPITAL REPAYMENT : 1 (one) Year.
- 5. CAPITAL REPAYMENT : 28 (twenty eight) equal Six-monthly instalments, commencing on the last day of the 3rd (third) Half-year after the Half-year during which the first disbursement was advanced to the Borrower.
- 6. PROJECT FILE NO. : WC 103081.

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 Stellenbosch 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;

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- 1.1.6 "the DBSA" means the Development Bank of Southern Africa Limited, a juristic person reconstituted and incorporated in terms of section 2 of the Development Bank of Southern Africa Act 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 July to the 31st day of December and/or from the first day of January to the 30th day of June during the next calendar year;
- 1.1.10 "Interest Payment Date" means the last day of each Interest Period;
- 1.1.11 "Interest Period" means each period of 6 (six) months commencing on 1 July or 1 January 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

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six months running from the date of a 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 Stellenbosch Bulk Infrastructure Programme: Phase 2, 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 day of April and October 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

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unwinding any hedge transaction deposits or funding transactions that may have been entered 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-SAFEX"

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 SAFEX 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.

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- 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 90 (ninety) 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, R30 000 000.00 (thirty 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 R157 plus 90 basis points (final


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rate to be determined two days prior to the date of signing of this agreement by the Borrower).

- 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 33 (thirty three) 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 33 (thirty three) 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.

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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 (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 28 (twenty eight) equal Six-monthly instalments, commencing on the last day of the 3rd (third) 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

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the first instalment shall fall due in terms of this Agreement; provided further that this shall not jeopardise the proper completion of the Project.

- 4.2 An instalment shall be a fixed amount, determined as at the outset of the 3rd (third) 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 28 (twenty eight) equal Six-monthly payments. Should, at the outset of the said 3rd (third) 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:-

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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 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 3rd (third) 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;
- 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

- 11.1 The Borrower shall submit a certified copy of its Council's resolution, authorizing the Borrower to conclude the Agreement, in respect of the Projects, and approval of the funding arrangements thereof.
- 11.2 The Borrower shall furnish the DBSA with proof that it has complied with Section 46 (3) of the Municipal Management Finance Act.
- 11.3 The Borrower shall furnish DBSA with a copy of the permit issued in terms of the National Environmental Management Act, or with a letter from the Provincial Department of Environment, Agriculture and Development Planning, indicating that the project was granted exemption from the permit requirements.

12. FURTHER TERMS AND CONDITIONS

- 12.1 The Borrower must ensure that it complies with the guidelines and requirements for the development and operation of the infrastructure elements, as contained in the permits issued.
- 12.2 The Borrower warrants that it has obtained from all Government, Provincial and other authorities, the necessary licences and permits required in terms of environmental legislation, the Water Act, Health and Safety Legislation, for the implementation of the Projects to be financed through this Loan, and undertakes to comply with the guidelines and requirements therein.
- 12.3 The Borrower, hereby, undertakes to ensure that the disbursement of the Loan amounts will be in accordance with the Disbursement Schedule attached to the Project Description.
- 12.4 The Borrower to indemnify DBSA against any claims from third parties relative to this project.

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.
- 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.

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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:-

(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: Stellenbosch Municipality
Town Hall, Plein Street
STELLENBOSCH
7600; or

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Postal address: P O Box 17
STELLENBOSCH
7559; or

Telefax number: (021) 808 8200

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 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

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DBSA
Development Bank
of Southern Africa

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

The disbursement of each claim, in respect of the amount financed, by the DBSA, is to be affected as a ratio of actual costs of each item, as indicated in the Disbursement Schedule to be provided by the Borrower for each element of the project, to the maximum amount of R30 000 000. This is subject to the submission of fully documented proof of expenditure by the Borrower to supplier, consultant and/or contractor, of actual claims, as certified/approved by the Borrower or its authorised representative.

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STELLENBOSCH

THUS DONE AND SIGNED AT ON THE 4th DAY OF JUNE 2008.

AS WITNESSES:

1. [Signature]

2. Car Mule

[Signature]

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

THUS DONE AND SIGNED AT MURRAYSBURG ON THE 18th DAY OF JUNE 2008.

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. PROJECT GOAL

To support the socio-economic development in Stellenbosch by providing new bulk infrastructure this will support the growth of housing, industrial, agricultural and commercial developments in this important regional centre.

2. PROJECT OBJECTIVE

The objective of this project is to upgrade three bulk water and six bulk sanitation infrastructure works in the Stellenbosch municipal area. These cover three geographically dispersed independent communities. The upgrading of this infrastructure will support economic growth in each of the communities.

3. PROJECT OUTPUTS

The Programme comprises individual projects, included in Stellenbosch Municipality's 2006/07/08 Capital Development Programme, that are predominantly a continuation (phases) of the Municipality's multi-year bulk and service infrastructure upgrading programmes that will address backlogs related to:

| INFRASTRUCTURE | INVESTMENT VALUE |
|----------------------------|---------------------|
| Bulk Electricity | R14 300 000 |
| Bulk Waste Water Treatment | R15 700 000 |
| Total Amount | R 30 000 000 |

3.1 Technical Description

BULK ELECTRICITY

This project is an extension of the R30m Bulk electricity project for the Paradyskloof 66kV substation. The initial R30m project provided the substation with its transformers and main feeder lines. The project is now expanded to link through to those secondary substations, to be fed from Paradyskloof. The bulk of the project concerns cabling with some alterations to the secondary substations serving the Techno Park and Mediclinic area. Both the Techno Park and Mediclinic substations have minor structural renovations to accommodate new switch gear and transformers.

The actual cost of the total programme is approximately R78m, of which the DBSA is required to fund R14.3m. at this juncture.

BULK SANITATION

This sanitation programme starts with a consolidation of four ageing waste water works in the Franschoek area. The programme will be implemented over a period of five years, after which all waste water from the Franschoek catchment will be treated at Wemmershoek because all water can be gravity fed to this point.

Wemmershoek is the most modern of the four waste water works and the easiest and most cost effective to upgrade. Operation and maintenance cost will be dramatically reduced, as well the risk of environmental pollution, by having one large sanitation plant.

As a first part of the project, an outfall sewer of 15km. will link the two Fransshoek and Lamotte sanitation plants with the Wemmerhoek plant. The Wemmershoek plant will be upgraded with an additional 2.25Ml/d capacity by adding one digester and 4 drying beds. The project will be implemented over a period of 2 years.

The actual cost of the total programme is approximately R50m, of which the DBSA is required to fund R15.7m. at this juncture.

4. INSTITUTIONAL ARRANGEMENTS

- 4.1 A Project Committee (PC), on which the DBSA will be represented, shall be functional for the Project, to control and manage implementation and ensure, through ongoing monitoring, that the Project is implemented, according to the Tender Contracts, Programme Description and conditions contained in the Loan Agreement.
- 4.2 The Borrower shall ensure that written reports be submitted regularly 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. The design approach and specifications shall make provision for labour-intensive approaches, where appropriate.
- 5.2 Design criteria shall include optimal site, infrastructure and space utilisation, cost-effective design and specification, energy efficiency and low-maintenance design approaches.

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 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.
- 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.

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.

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8. DISBURSEMENT SCHEDULE

Two draw downs will be made:

June 2008: R14.3m

June 2009: R15.7m

CB PM TT
DBSA
Development Bank
of Southern Africa
[Handwritten signatures]

LOGFRAME

| | SUMMARY | INDICATORS | VERIFICATION |
|-------------------|---|---|---|
| GOAL | The Project goal is to provide a more reliable service to the communities residing within the Stellenbosch area, through the investment in selected infrastructure, as part of the Stellenbosch 2007/08 services and bulk infrastructure Capital Expenditure Budget and thus improving the living conditions of all the communities in the area. | Services provided at a more reliable level | Monitoring by DBSA team as part of Project Monitoring |
| PURPOSE | Approximately 800 households in the Stellenbosch area will benefit directly from programme and up to 20 000 households benefit indirectly from reliable bulk electricity and waste water services. The projects will contribute towards the communities' and Stellenbosch's objective of improving existing services and service delivery, as well as addressing backlogs, thereby, ensuring a higher standard of living for all. | <ul style="list-style-type: none"> Improve service provision. | Monitoring as part of Project Monitoring |
| OUTPUTS | The Project entails the implementation of works upgradings. | <ul style="list-style-type: none"> Provision of a more reliable service delivery network | <ul style="list-style-type: none"> Reduced poor conditions of electrical distribution and sanitation New installations improve municipal services |
| ACTIVITIES | Monitoring project implementation (tender process and implementation according the capital programme) | Project implemented according the 2006/07 Capital Budget Programme, applicable legislation and engineering specifications | Quality of the completed works to be verified by the Borrower's Technical Department |

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SOURCE AND APPLICATION OF FUNDS STATEMENT

| SECTOR | DBSA | STELLENBOSCH | OTHER |
|---------------------|--------------------|--------------------|--------------------|
| Bulk Electricity | R14 300 000 | R15 000 000 | R29 300 000 |
| Bulk Waste Water | R15 700 000 | R16 000 000 | R31 700 000 |
| Total Amount | R30 000 000 | R31 000 000 | R61 000 000 |

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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;

- 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.

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**AUTHORISATION
BORROWER**

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DBSA
Development Bank
of Southern Africa

**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



DBSA
Development Bank
of Southern Africa

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OR

CHRISTINA JOANNA GOLINO

OR

BANE MOEKETSI MALEKE

OR

PUMLA MANNYA

OR

MAKGOTLA DANIEL PETER MOKUENA

OR

CHUCHEKA BEN 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.

19/06/2008

DATE



LEGAL SERVICES

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PM & TT
C. O. O. J.