

LOAN AGREEMENT

in respect of

INFRASTRUCTURE PROGRAMME PHASE 1

made and entered into by and between

MAKHADO LOCAL MUNICIPALITY

and

THE DEVELOPMENT BANK OF SOUTHERN AFRICA LIMITED

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DBSA
Development Bank of Southern Africa Limited

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MEMORANDUM OF LOAN

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S U M M A R Y

- 1. LOAN AMOUNT : R21 100 000.00.
- 2. LOAN PERIOD : 10 years.
- 3. FIXED INTEREST RATE : Rn57 plus 133 basis points (final rate to be determined two days prior to the date of signing of this agreement by the Borrower).
- 4. GRACE PERIOD FOR CAPITAL REPAYMENT : 6 months.
- 5. CAPITAL REPAYMENT : 19 (nineteen) equal Six-monthly instalments, commencing on the last day of the 2nd (second) Half-year after the Half-year during which the first disbursement was advanced to the Borrower.
- 6. PROJECT FILE NO. : LP 102836.2.

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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 Makhado Local Municipality;
- 1.1.3 "Business Day" means any day other than a Saturday, Sunday and a Public Holiday;
- 1.1.4 "the DBSA" means the Development Bank of Southern Africa Limited, reconstituted and incorporated in terms of Section 2 of the Development Bank of Southern Africa Act No. 13 of 1997;
- 1.1.5 "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;
- 1.1.6 "Half-year" or "Six-monthly" means from the first day of April to the 30th day of September and/or from the first day of October to the 31st day of March during the next calendar year;
- 1.1.7 "Interest Payment Date" means the last Business Day of each Interest Period;
- 1.1.8 "Interest Period" means each period of 6 (six) months commencing on 1 April or 1 October of each calendar year. The

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first Interest Period shall begin to run from the date of the first disbursement to 31 March or 30 September, whichever immediately follows disbursement. Each Interest Period thereafter shall begin to run from the date of expiry of the preceding Interest Period, even if the first day of this Interest Period is not a Business Day. Notwithstanding the foregoing, any period less than six months running from the date of a disbursement to the date of 31 March or 30 September immediately following this disbursement shall be deemed an Interest Period;

- 1.1.9 "Loan" means the financing granted to the Borrower in terms of clause 2;
- 1.1.10 "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;
- 1.1.11 "Parties" means collectively, the Borrower and the DBSA;
- 1.1.12 "Project Agent" means a person nominated in writing by the Borrower to act on its behalf in respect of the Project;
- 1.1.13 "Project" means Infrastructure Programme Phase 1, as described in more detail in Annexure A attached hereto;
- 1.1.14 "Reference Banks" means four major Banks in the Johannesburg Interbank market selected by the DBSA;

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- 1.1.15 "Reset Date" means the first Business Day of April and October of each calendar year or such other dates as may be agreed to in writing by the Parties;
- 1.1.16 "Reset Period" means a period of 6 (six) months commencing from each Reset Date; and
- 1.1.17 "Unwinding Costs" means any and all actual costs, expenses and disbursements incurred by the DBSA in taking out a new hedge position, closing out, settling or unwinding any hedge transaction deposits or funding transactions that may have been entered 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.
- 1.2 Headings to the clauses of this Agreement, the table of contents and summary are for reference purposes only and are not intended to affect the interpretation thereof.
- 1.3 Any reference to the singular shall include the plural and vice versa.
- 1.4 Any reference to a natural person shall include an artificial or corporate person and vice versa.
- 1.5 Any reference to one gender shall include the other.
- 1.6 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, R21 100 000.00 (twenty one million one hundred thousand Rand); and

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 100 Waterlooville Road
 Waterlooville, 7470

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 Rate 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 133 basis points (final 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.

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4. REPAYMENT OF LOAN AND PAYMENT OF INTEREST

4.1 The capital amount of the Loan shall be repaid in 19 (nineteen) equal Six-monthly instalments, commencing on the last day of the 2nd (second) Half-year following the Half-year during which the first disbursement was made to the Borrower from the proceeds of the Loan; and thereafter at the end of each succeeding Half-year until the Loan together with interest thereon shall be fully repaid; provided that subject to the provisions of clause 7, the Borrower may, with 30 (thirty) days written notice to the DBSA, make repayments in excess of the abovementioned or repay the full amount outstanding, provided further that the Borrower shall not be entitled to make any repayments prior to the date on which the first instalment shall fall due in terms of this Agreement; provided further that this shall not jeopardise the proper completion of the Project.

4.2 An instalment shall be a fixed amount, determined as at the outset of the 2nd (second) 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 19 (nineteen) equal Six-monthly payments. Should, at the outset of the said 2nd (second) 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, to charge a commitment fee of 0.5% (nought comma five per centum) per annum on all the undisbursed portion of the Loan effective 3 (three) months from the date of conclusion of this Agreement.

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 Rate/interest rate of the Loan plus 2% (two per centum). Penalty interest shall be compounded six-monthly / three-monthly and payable on demand.

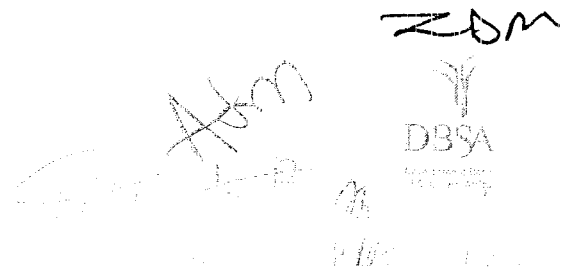
7. EARLY REPAYMENT

7.1 FIXED 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, subject to the payment of a prepayment fee on the principal amount being prepaid. The prepayment fee shall be determined or calculated as follows:

7.1.1.1 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;

7.1.1.2 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.

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7.1.2 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.

7.1.3 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.

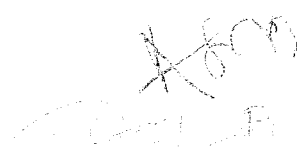
8.4 All payments under this Agreement to the DBSA shall be effected to the credit of such banking account(s) of the DBSA as the DBSA may from time to time direct, in writing.

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.

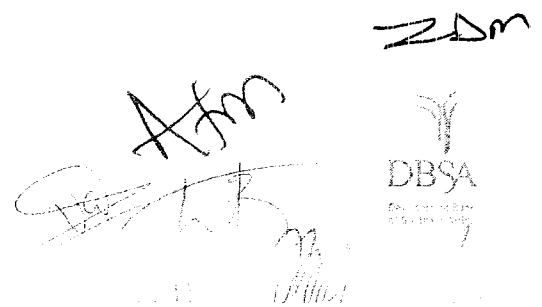


- 9.2 If the DBSA reasonably concludes, after consultation with the Borrower, that any portion(s) of the Loan will not be required to finance the Project, the DBSA may by notice to the Borrower terminate the right of the Borrower to make drawdowns in respect of such undrawn portion; it being understood 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 2nd (second) 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;

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

11. CONDITIONS PRECEDENT

The Borrower shall submit written confirmation to the DBSA that the provincial Government Department of Finance is fully informed of and supports the Project.

12. FURTHER TERMS AND CONDITIONS

- 12.1 The Borrower undertakes not to enter into any further debt obligations which will result in a servicing of external loans in excess of 15% (fifteen percent) of the Makhado Local Municipality's operating income, without consulting and obtaining the written consent from the DBSA.
- 12.2 The Borrower undertakes to provide the DBSA with its audited financial statements within 6 (six) months from the end of its financial year.
- 12.3 The Borrower shall, at its own expense, ensure that immediately upon commencement, of construction/building operations contemplated by this Agreement, if it is decided to erect a project notice board(s), the said boards shall clearly advertise the fact that such construction/building operations has been financed by the DBSA.
- 12.2 The Borrower undertakes to comply with all relevant legislative and regulatory Requirements, and where required, will provide the DBSA with copies of such environmental authorisation, with specific reference to projects rated at 66KV and above.
- 12.5 The borrower undertakes the implementation of the Supply Chain Management policies, in accordance with the MFMA to promote the utilisation of local labour, small local contractor participation and gender equity.
- 12.6 A project Steering Committee (PSC) will be established to oversee the implementation of the projects and DBSA representative will be a member.
- 12.7 The Borrower undertakes to submit to the DBSA a copy of the management information that is provided to the National Treasury on monthly basis.

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.

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

Handwritten signatures and stamps:
- A large handwritten signature, possibly "Ason".
- A stamp with the logo of the DBSA (Dunlop Building Services Association) and the text "DBSA".
- Other illegible handwritten marks and initials.

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: Makhado Local Municipality
Civic Centre
83 Krogh Steet
LOUIS TRICHARDT
0920; or

Postal address: Private Bag X2596
LOUIS TRICHARDT
0920; or

Telefax number: (015) 519 3000

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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 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.


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14.6 TERMS AND CONDITIONS OF DISBURSEMENT

- 14.6.1 Disbursements by the DBSA will be affected pro rata to the ratio of its financing as indicated in the Application and Source of Funds Statement based on the principle of proof of expenditure.

- 14.6.2 Claims must be presented in the format that the DBSA indicates as being acceptable. Furthermore, it must be duly certified by an authorized person that the claim is based on services rendered in terms of the provisions of this Agreement. All claims shall be accompanied by a progress/monitoring report and certified copies of invoices. Monthly progress reports shall be provided till conclusion of the project, even if no claim is made.

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THUS DONE AND SIGNED AT AMSTERDAM ON THE 2nd DAY OF December 2007.

AS WITNESSES:

1. [Signature]

2. [Signature]

[Signature]

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

THUS DONE AND SIGNED AT MILANO ON THE 11 DAY OF DECEMBER 2007.

AS WITNESSES:

1. [Signature]

2. [Signature]

[Signature]

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

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[Signature]
DBSA
[Signature]

PROJECT DESCRIPTION

1. SCOPE OF THE PROGRAMME PHASE 1

The Makhado Infrastructure Programme Phase 1 relates to the Municipality's approved capital expenditure budget for 2007/2008 of R74 000 145 which will be funded as follows:

DESCRIPTION	SOURCE	AMOUNT
Office equipment	INCOME	6,237,260
Roads and Bridges	MIG	24,088,085
Office equipment	FMG	803,500
Electricity	LOAN (DBSA)	21,100,000
Electricity	TIP (DBSA)	7,000,000
Electricity	INEP	1,517,300
Land	LAND SALES	11,906,000
Equipment	PMU	48,000
Other(Valuation Roll)	MSIG	1,300,000
TOTAL		74,000,145

Makhado Municipal Infrastructure programme is part of the multi year plan to upgrade the services and facilities in Makhado.

2. PROGRAMME DESCRIPTION

The DBSA loan funding will be utilised as follows:

Description	Infrastructure Loan (R)	TIP Loan (R)	Total Loans (R)
1. Electricity			
Electrification of villages		1,000,000	1,000,000
Low Voltage in rural areas	150,000		150,000
H/t Cable 70mm urban network	500,000		500,000
Bauford sub upgrade		6,000,000	6,000,000
Replacement of protection relays	60,000		60,000
Radio reception	100,000		100,000
Recloser whole network and W'35	400,000		400,000
New Eskom 66kv sub additional bay at Elim 132 KV- relocation of 2x 66kV transformers new switchgear to	4,000,000		4,000,000

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Reboia sub			
New Connection Point ANMD 15MVA Reboia sub	3,000,000		3,000,000
Increase NMD Makhado main sub	3,000,000		3,000,000
Transformers 3x 2MVA strengthening Ext 2 & Eltivillas	1,000,000		1,000,000
Upgrade Central Line to Town	1,500,000		1,500,000
CT VT units 11kv & 22kv	150,000		150,000
Extensions of grid connections-Post connections	1,000,000		1,000,000
2. Planning			
Valuation Roll	3,500,000		3,500,000
Traffic Impact Study and application with NRA	500,000		500,000
Planning (Designs) for the installations of bulk services in Mavhungeni.	500,000		500,000
Registration of transfer of ownership for all erven in Tshikota extension 1	300,000		300,000
Extensions of Townships to address the need for business Development and industrial sites in rural areas.	350,000		350,000
3. Security Measures			
Installations of Surveillance cameras in the main office building	290,000		290,000
4. Plant & Equipment			
2 X Refuse removal tractors for refuse mass containers	500,000		500,000
5. Contingency			
TOTAL	21,100,000	7,000,000	28,100,000

The above projects form part of the Makhado Municipality's capital expenditure programme for 2007/2008 financial year.

3. PROGRAMME GOAL

The goal is to enhance the social and economic development of MLM through appropriate infrastructure provision.

4. PROGRAMME OBJECTIVE

The objective of the programme is to provide and upgrade electricity infrastructure, purchase equipment for refuse removals, upgrade security measures and undertake planning activities in Makhado Local Municipality.

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5. PROGRAMME OUTPUTS

The programme outputs include the following:

Loan Funding of R21, 1m to Makhado Local Municipality for the purpose of appointing contractors to build, upgrade and extend municipal services in the categories electricity reticulation, improved security measures and undertakes planning activities. Other inputs include the procurement of the refuse tractors for refuse mass containers.

6. IMPLEMENTATION ARRANGEMENTS

6.1 PROJECT MANAGEMENT

The total development shall be managed by the Makhado Local Municipality's technical, financial, and economic development directorates supported by all the institutional resources of the MLM. The physical implementation will be carried out departmentally or with the assistance of contractors managed by the MLM technical directorate.

6.1.1 Development practices and policies

Consultants appointed by the MLM will carry out Planning and design of the different elements. The approved Integrated Development Plan of the MLM will guide all planning.

Where tenders are required, affirmative procurement principles will be applied to publicly invited tenders. Cognisance will be taken of the utilization of local emerging businesses and local employment creation.

6.1.2 Monitoring and Evaluation Arrangements

A structured arrangement for ongoing monitoring and evaluation of the impact of this programme will be agreed upon between the DBSA and MLM, to ensure compliance with the loan conditions.

LOGFRAME

PROGRAMME GOAL/OBJECTIVES/OUTPUTS	INDICATOR	MEANS OF VERIFICATION	ASSUMPTIONS
<p>GOAL:</p> <p>To facilitate and enhance social and economic development in the Makhado through appropriate infrastructure provision.</p>	Improved infrastructure (i.e. electricity and water)	Field observations	That the recommendations will be implemented.
<p>OBJECTIVES:</p> <p>Municipal infrastructure upgrade and improved in a sustainable manner</p>	Increased access to municipal services.	Project monitoring system established with the client	That the contracted service provider and the municipal technical department is effective and efficient.
<p>OUTPUTS:</p> <ul style="list-style-type: none"> • Upgraded electricity • Completed planning activities • Improved security in the municipal building. • Equipment for refuse removal purchased • Expanded municipal services 	<ul style="list-style-type: none"> • 4 villages with electricity and substations improved. • 6 planning studies completed • 2 X surveillance cameras installed in the municipal building. • 2 x refuse tractors purchased. • More villages with access to water and electricity. 	Infrastructure / equipments built and installed according to specifications.	That the contracted service provider and the municipal technical department is effective and efficient.
<p>ACTIVITIES:</p> <ul style="list-style-type: none"> • Project Approval • Establishment of Programme Steering Committee. • Project Implementation • Project Monitoring • Disbursement • Completion 	<ul style="list-style-type: none"> • Appraisal Report approved before the 30th of September 2007 • No. members sitting on the FSC • Appointment of service providers and actual upgrading of infrastructure by November 2007 • Monthly Project visits • First disbursement before March 2008 • Project Completed by December 2008 	<p>Report signed by the Executive Manager</p> <p>Site inspections and minutes of site meetings.</p> <ul style="list-style-type: none"> • PSC meetings or minutes. • Site inspections and claims submitted for payment. • Monitoring reports. • Proof of disbursement • Completion report 	<p>That the report is accepted with minimal changes.</p> <p>That the funds will be available (from all contributors).</p> <p>That the assumed capacity will be available for implementation.</p> <p>That the development impact objectives will be achieved.</p> <p>Inputs for the completion report are made available.</p>

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DESA

SOURCE AND APPLICATION OF FUNDS STATEMENT

Description	AMOUNT (R)	OTHER
1. Electricity	14,860,000	0
2. Planning	5,150,000	0
3. Security Measures	290,000	0
4. Plant & Equipment	500,000	0
5. Contingency	300,000	0
TOTAL	21,100,000	0

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DBSA

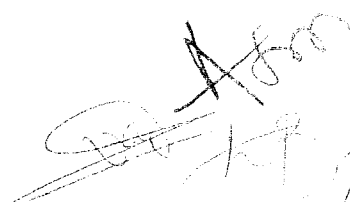

PROJECT CO-OPERATION

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;

The bottom right corner of the page contains several handwritten signatures in black ink. One signature is clearly legible as 'ZDM'. Below the signatures is the logo for the Development Bank of Southern Africa (DBSA), which includes the acronym 'DBSA' and a stylized tree-like symbol above it.

- 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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 DBSA
 Development Bank of South Africa

AUTHORISATION

BORROWER

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DBSA
DEPARTMENT OF
TREASURY AND FINANCE

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

ZDM

DBSA

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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.

DATE

12/12/07

LEGAL SERVICES