Final: 12.03.2010

FIRST AMENDMENT LOAN AGREEMENT

made and entered into by and between

MIDVAAL LOCAL MUNICIPALITY

and

THE DEVELOPMENT BANK OF SOUTHERN AFRICA LIMITED

DBSA
Development Bank of Southern Africa

TABLE OF CONTENTS **PAGE**

DBSA
Development Bank of Southern Africa

RECORDAL

This agreement is made by and between:

(a) Midvaal Local Municipality, a local municipality established or deemed to be established in terms of Section 12 of the Local Government Municipal Structures Act 117 of 1998 as amended; and

(b) DBSA in its capacity as a Party to the Loan Agreement with the Borrower to lend a total sum of R40 000 000.00 (forty million Rand only) made up as follows:

R15 700 000.00 (element 1);
R12 650 000.00 (element 2)
R1 500 000.00 (element 3);
R8 800 000.00 (element 4) and;
R1 350 000.00 (element 5).

NOW THEREFORE, the Parties hereby agree as follows:

DBSA
Development Bank of Southern Africa

1. INTERPRETATIONS

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

1.1.1.	"the First Amendment Agreement"	shall mean this Amendment Agreement, together with any annexures hereto.
1.1.2.	"the Loan Agreement"	shall mean the written Loan Agreement concluded by and between the Parties on 19 October 2009.

1.2. All words, phrases and meanings in the Loan Agreement shall bear the same meanings in this First Amendment Agreement.

2. BACKGROUND

2.1. The Parties have concluded the Loan Agreement.

2.2. The Parties wish to amend the Loan Agreement.

2.3. The Parties desire that this amendment shall be contained in this First Amendment Agreement.

3. LOAN AGREEMENT

3.1 The Loan Agreement is amended as follows:

3.1.1 By the deletion, *in toto*, of the Programme Description and Source and Application of Funds Statement (Annexure "B") and by the substitution therefor with the attached Programme Description and Source and Application of Funds Statement (Annexure "B") respectively.

3.2 This First Amendment Agreement contains all the amendments to the Loan Agreement and neither of the Parties shall be bound by any undertakings,

DBSA
Development Bank of Southern Africa

representations, warranties or promises made, in respect of such amendments, which are not recorded herein.

3.3 Nothing, in this First Amendment Agreement, shall be construed by either Party, as precluding the Parties from further amending the Loan Agreement and this First Amendment Agreement, should this become necessary.

3.4 Save for the changes contained in this First Amendment Agreement, the Loan Agreement shall remain unaltered.

DBSA

Development Bank of Southern Africa

SIGNED at Midrand on this 12 day of March 2010.

AS WITNESSES:

1. ____________________

2. ____________________

____

FOR AND BEHALF OF THE DBSA ~~BORROWER~~, WHO HEREBY WARRANTS HIS AUTHORITY

NAME: RB Netshiswinzhe

TITLE: Divisional Executive

SIGNED at Meyerton on this 15 day of March 2010.

AS WITNESSES:

1. ____________________

2. ____________________

____

FOR AND ON BEHALF OF THE Borrower ~~DBSA~~, DULY AUTHORISED THERETO

NAME: T. PEETERS

TITLE: ACTING MUNICIPAL MANAGER

DBSA
Development Bank of Southern Africa

ANNEXURE A

ADJUSTED PROJECT DESCRIPTION

1. PROGRAMME

1.1 PROGRAMME GOAL

The goal is to improve socio-economic development and raise the standard of living by providing effective and efficient services in order to provide in existing- and future demands in the Midvaal municipal area.

1.2. PROGRAMME OBJECTIVE

The objective is to contribute towards the eradication of backlogs in the MLM area through the provision of both TIP- and Investment loan funding to upgrade the CBD, the electricity supply, water network extensions, sewer networks, roads and storm-water drainage.

1.3. PROGRAMME OUTPUT/ DESCRIPTION

The programme entails the development of new and upgrading of existing, municipal infrastructure in various areas/communities in the municipal area in order to increase the capacity of all services (e.g. sewer networks, roads and stormwater) to cope with existing- and future demand due to economic growth and backlogs in the respective areas.

The Investment- and TIP projects that are funded via this Programme Facility have been identified in the 2009/10 Capital Budget of the MLM and were approved by the Council. In view of the major infrastructure challenges and backlogs experienced on National, Provincial and Local Government levels, including the MLM, the programme financing facility of R40,0 million was structured as follows:

(a) R 29,85 million (74,6%%) at normal DBSA interest rates; and

(b) R 10,15 million (25,4%) through the Targeted Infrastructure Programme (TIP) at a concessionary rate of 6,75%.

DBSA
Development Bank of Southern Africa

Table1: Adjusted/altered projects and estimated costs

SECTOR	PROPOSED WORK	ESTIMATED COST	
		Targeted Infrastructure Programme (TIP)	Investment Loan (IL)
Roads and Stormwater	Upgrading of the Eiselhauer bridge in the agricultural holdings of Garthdale and Gardenview. Gravel to Tar Road Programme in selected wards including the rural areas of Kliprivier, Highbury, Alewynspoort, Rothdene, Riversdale, Mooilande, Kookrus, Boltonworld, Henly-on- Klip	R8,800,000 (rural farming communities)	R14,200,000
Water and Sanitation	Capacity upgrading of 19 sewer pumpstations in Meyerton Midvaal bulk water upgrading and reticulation extension Water network upgrading in Tedderfield Installation of the Sewer and Water Telemetry fault monitoring system	R1,350,000 (Telemetry system /Bulkwater and reticulation)	R8,000,000
Electricity	Three River Substation: Installation of main supply feeder lines to Three River substation Riversdale MV network: Installation of main supply feeder lines to Riversdale substation		R2,700,000
Municipal Buildings	Upgrading of the existing pavement area and traffic circulation re-design.		R4,950,000
		R10,150,000	R29,850,000
TOTAL ESTIMATED COST		**R40,000,000**	

The Tip loan is contingent on the MLM accepting the full investment loan.

It is important to note that the MLM requested three loan terms of 15 years (R24,5 mil), 20 years (R14,0mil)- and 30 years (R1,5mil), respectively. The respective loan amounts will exclude Value Added Tax (VAT) but include professional fees. The interest rates are fixed over the mentioned loan terms. No security is offered on the R40mil loan and commitment fees were waived by the DBSA.

2. IMPLEMENTATION FRAMEWORK AND INSTITUTIONAL ARRANGEMENTS

2.1 A Programme Steering Committee will be established to monitor the implementation of this programme and DBSA be invited to form part of the Steering Committee.

2.2 The MLM will be the implementing agent and will appoint competent civil- and electrical consulting firms through an open tender process to plan and design the required water, storm-water and electrical reticulation plans; scoping of the project, drawing of project specifications and determination of cost schedules for the projects. The consultants, in consultation with the Municipality, will also be responsible for supervision for all the projects. The infrastructure to be provided via the loan will be installed by contractors (s). The contactor(s) will be appointed in terms of the MLM's approved supply chain management policy. According to the General Conditions of Contracts (GCC), a retention period will be applicable.

DBSA
Development Bank of Southern Africa

2.3 Municipality has an operational and maintenance team in its Technical Departments to conduct maintenance. The existing maintenance plan indicates that adequate, skilled staff is available. The MLM has to ensure sufficient provision is made for maintenance work in its operational budget.

3. SOURCE AND APPLICATION OF FUNDS STATEMENTS

3.1 SOURCE AND APPLICATION OF FUNDS STATEMENT of THE R40mil PROGRAMME

Herewith, the source and application of funds statement of the **total** programme:

SECTOR	TIP LOAN	INVESTMENT LOAN	AMOUNT (R)	LOAN TERM*
ELECTRICITY		2,700,000	2,700,000	15,20 and 30 years
WATER& SANITATION	1,350,000	8,000,000	9,350,000	15,20 and 30 years
ROADS&STORM WATER	8,800,000	14,200,000	23,000,000	15,20 and 30 years
CBD upgrade		4,950,000	4,950,000	20 years
TOTAL	**R10,150,000**	**R29,850,000**	**R40,000 000**	

3.2 DETAILED SOURCE AND APPLICATION OF FUNDS STATEMENT OF THIS LOAN AGREEMENT of R15,7 million

The loan of R40million was structured in such a manner as to incorporate both the Investment -and TIP contributions, per sector and over the respective loan periods. The S&A Statement was refined during the first Steering Committee. The detailed S&A was agreed to by both DBSA and the MLM. The following project(s) will be included in this loan of R15,7 million:

INVESTMENT LOAN 1: LOAN PERIOD: 15 YEARS @13,54%.

LOAN	ELEMENT	SECTOR	TOTALS PER SECTOR	PROJECT	INVESTMENT LOAN
1	1	**Roads & storm water**	R 13,200,000	Gravel to tar program	R700 000
				Rehabilitation of roads	R12 500,000
1	2	**Water and sanitation (SEWER)**	R 2,500,000	Upgrade sewer pump stations	R1 500,000
				Telemetry system	R1 000,000
GRAND TOTAL			**R 15,700,000**		

DBSA
Development Bank of Southern Africa

The loan amount will exclude Value Added Tax (VAT) but include professional fees. No security is offered on the R40mil loan and commitment fees have been waived by the DBSA Board of Directors.

The full loan amount of R 15,700,000.00 will be drawn down by the borrower before or on 30 June 2010.

DBSA
Development Bank of Southern Africa

ANNEXURE A

ADJUSTED PROJECT DESCRIPTION

1. PROGRAMME

1.1 PROGRAMME GOAL

The goal is to improve socio-economic development and raise the standard of living by providing effective and efficient services in order to provide in existing- and future demands in the Midvaal municipal area.

1.2. PROGRAMME OBJECTIVE

The objective is to contribute towards the eradication of backlogs in the MLM area through the provision of both TIP- and Investment loan funding to upgrade the CBD, the electricity supply, water network extensions, sewer networks, roads and storm-water drainage.

1.3. PROGRAMME OUTPUT/ DESCRIPTION

The programme entails the development of new and upgrading of existing, municipal infrastructure in various areas/communities in the municipal area in order to increase the capacity of all services (e.g. sewer networks, roads and stormwater) to cope with existing- and future demand due to economic growth and backlogs in the respective areas.

The Investment- and TIP projects that are funded via this Programme Facility have been identified in the 2009/10 Capital Budget of the MLM and were approved by the Council. In view of the major infrastructure challenges and backlogs experienced on National, Provincial and Local Government levels, including the MLM, the programme financing facility of R40,0 million was structured as follows:

(a) R29,85 million (74,6%%) at normal DBSA interest rates; and
(b) R10,15 million (25,4%) through the Targeted Infrastructure Programme (TIP) at a concessionary rate of 6,75%.

DBSA
Development Bank of Southern Africa

Table1: Adjusted/altered projects and estimated costs

SECTOR	PROPOSED WORK	ESTIMATED COST	
		Targeted Infrastructure Programme (TIP)	Investment Loan (IL)
Roads and Stormwater	Upgrading of the Eiselhauer bridge in the agricultural holdings of Garthdale and Gardenview. Gravel to Tar Road Programme in selected wards including the rural areas of Kliprivier, Highbury, Alewynspoort, Rothdene, Riversdale, Mooilande, Kookrus, Boltonworld, Henly-on- Klip	R8,800,000 (rural farming communities)	R14,200,000
Water and Sanitation	Capacity upgrading of 19 sewer pumpstations in Meyerton Midvaal bulk water upgrading and reticulation extension Water network upgrading in Tedderfield Installation of the Sewer and Water Telemetry fault monitoring system	R1,350,000 (Telemetry system /Bulkwater and reticulation)	R8,000,000
Electricity	Three River Substation: Installation of main supply feeder lines to Three River substation Riversdale MV network: Installation of main supply feeder lines to Riversdale substation		R2,700,000
Municipal Buildings	Upgrading of the existing pavement area and traffic circulation re-design.		R4,950,000
		R10,150,000	R29,850,000
TOTAL ESTIMATED COST		R40,000,000	

The Tip loan is contingent on the MLM accepting the full investment loan.

It is important to note that the MLM requested three loan terms of 15 years (R24,5 mil), 20 years (R14,0mil)- and 30 years (R1,5mil), respectively. The respective loan amounts will exclude Value Added Tax (VAT) but include professional fees. The interest rates are fixed over the mentioned loan terms. No security is offered on the R40mil loan and commitment fees were waived by the DBSA.

2. IMPLEMENTATION FRAMEWORK AND INSTITUTIONAL ARRANGEMENTS

2.1 A Programme Steering Committee will be established to monitor the implementation of this programme and DBSA be invited to form part of the Steering Committee.

2.2 The MLM will be the implementing agent and will appoint competent civil- and electrical consulting firms through an open tender process to plan and design the required water, storm-water and electrical reticulation plans; scoping of the project, drawing of project specifications and determination of cost schedules for the projects. The consultants, in consultation with the Municipality, will also be responsible for supervision for all the projects. The infrastructure to be provided via the loan will be installed by contractors (s). The contactor(s) will be appointed in terms of the MLM's approved supply chain management policy. According to the General Conditions of Contracts (GCC), a retention period will be applicable.

DBSA
Development Bank of Southern Africa

2.3 Municipality has an operational and maintenance team in its Technical Departments to conduct maintenance. The existing maintenance plan indicates that adequate, skilled staff is available. The MLM has to ensure sufficient provision is made for maintenance work in its operational budget.

3. SOURCE AND APPLICATION OF FUNDS STATEMENTS

3.1 SOURCE AND APPLICATION OF FUNDS STATEMENT of THE R40mil PROGRAMME

Herewith, the source and application of funds statement of the **total** programme:

SECTOR	TIP LOAN	INVESTMENT LOAN	AMOUNT (R)	LOAN TERM*
ELECTRICITY		2,700,000	2,700,000	15,20 and 30 years
WATER& SANITATION	1,350,000	8,000,000	9,350,000	15,20 and 30 years
ROADS&STOR M WATER	8,800,000	14,200,000	23,000,000	15,20 and 30 years
CBD upgrade		4,950,000	4,950,000	20 years
TOTAL	**R10,150,000**	**R29,850,000**	**R40,000 000**	

3.2 DETAILED SOURCE AND APPLICATION OF FUNDS STATEMENT OF THIS LOAN AGREEMENT of R8,8 million

The loan of R40million was structured in such a manner as to incorporate both the Investment -and TIP contributions, per sector and over the respective loan periods. The S&A Statement was refined during the first Steering Committee. The detailed S&A was agreed to by both DBSA and the MLM. The following project(s) will be included in this loan:

TIP LOAN 1: LOAN PERIOD: 15 YEARS

ELEMEN T	SECTOR	PROJECT (S)	TOTALS PER SECTOR	INTEREST RA TE	LOAN PERIOD
1	**Roads & storm water**	Gravel to tar program	R8,800,000	6,75%p.a	15 YEARS
GRAND TOTAL			**R8,800,000**	**6,75%p.a**	15 YEARS

The Tip loan is contingent on the MLM accepting the full investment loan.

DBSA
Development Bank of Southern Africa

The loan amount will exclude Value Added Tax (VAT) but include professional fees. No security is offered on the R40mil loan and commitment fees have been waived by the DBSA Board of Directors.

The full loan amount of R8 800,000.00 will be drawn down by the borrower before or on 30 June 2010.

DBSA
Development Bank of Southern Africa