

**13.
RAISING OF NEW EXTERNAL LOANS**

5/15/1//2/1

BA King

18 January 2022

Senior Manager: Financial Services

(028) 313 8154

1. Executive Summary

Report on the tabling and approval of the loan agreement for the raising of external loans amounting to R150 000 000.

2. Service Delivery and Budget Implementation Plan - IGNITE

Directorate Finance
Financial Services

3. Compliance with Strategic Priorities

Provision of democratic, accountable and ethical governance
Provision and maintenance of municipal services

4. Delegated Authority

None

5. Legal Requirements

No. 56 of 2003: Local Government: Municipal Finance Management Act, 2003

6. Background/Discussion/Evaluation/Conclusion

Council has budgeted for capital projects on the approved multi-year capital budget for the 2021/2022 MTREF. Council approved the funding of a portion of the capital budget relating to services infrastructure with external loan financing amounting to R50 000 000 per annum for the 2021/2022, 2022/2023 & 2023/2024 financial years. Proposals were called for from prospective lenders in terms of section 3 & 4 of the Municipal Regulations on Debt Disclosure.

Notices were published in the press and on the municipal website in terms of section 46(3)(a)(i) and (ii) of the Local Government: Municipal Finance Management Act (Act no. 56 of 2003), read in conjunction with section 21A of the Municipal Systems Act (No. 32 of 2000), of Overstrand Municipality's intention to incur long-term debt, whereby the public were invited to comment or make representations Annexure A).

The information statement, in terms of section 46(3)(b) of the Local Government: Municipal Finance Management Act, 2003: (Act no. 56 of 2003),

AGENDA OF A SPECIAL MAYORAL COMMITTEE MEETING 24 JANUARY 2022

setting out the particulars of the proposed debt, was circulated to councillors on 15 December 2021 (Annexure B).

Comments or representations were invited from the Western Cape Provincial Government (WCPG) and National Treasury. The comments received from the Western Cape Provincial Government are attached as Annexure C.

7. Financial Implications

Repayment of external loan interest and redemption: Finance costs (interest) are included in the approved 2021/2022 MTREF, including the indicative outer years. Redemption will be repaid from cash flows generated by operations, according to the cash flow budget

Source of Funding: Operating Budget Provision

Vote/Work Code	: Various Departments
Vote/Work Code Description	: Interest on external loans
Budget Provision 2021/2022	: R 51 086 595.22
Spent to Date/Committed	: R 48 336 599.98
Balance Available	: R 2 749 995.24
Funds Required	: R 1 123 750

Source of Funding: Operating Budget Provision

Vote/Work Code	: Various Departments
Vote/Work Code Description	: Interest on external loans
Budget Provision 2022/2023	: R 51 126 641.00
Spent to Date/Committed	: R 42 992 623.53
Balance Available	: R 8 134 017.47
Funds Required	: R 4 373 746

Source of Funding: Operating Budget Provision

Vote/Work Code	: Various Departments
Vote/Work Code Description	: Interest on external loans
Budget Provision 2023/2024	: R 51 292 321.87
Spent to Date/Committed	: R 37 943 431.27
Balance Available	: R 13 348 890.60
Funds Required	: R 8 449 667

8. Staff Implications

None

9. Comments from other Departments, Divisions and Administrations

None

AGENDA OF A SPECIAL MAYORAL COMMITTEE MEETING 24 JANUARY 2022

10. Annexures

- Annexure A: Copy of advertisement inviting comments or representations
- Annexure B: Copy of Information statement to Councillors
- Annexure C: Comments received from the WCPG
- Annexure D: Draft loan agreement

RECOMMENDATION TO THE COUNCIL :

1. that the raising of total external loans amounting to R150 000 000 (R50 000 000 per year) for the 2021/2022, 2022/2023 & 2023/2024 financial years and the loan agreement **be approved**;
2. that the Municipal Manager be authorised to sign the necessary agreements and documents for the above-mentioned external loans; and
3. that the comments received from the Western Cape Provincial Treasury be noted.

RESPONSIBLE OFFICIAL:**B A KING****TARGET DATE FOR IMPLEMENTATION :****31 MARCH 2022**



INFORMATION STATEMENT / INLIGTINGSVERKLARING / UKONGGEZELLEWA NGENMALI MBOLEKO

Notice is hereby given in terms of section 46(3)(a)(i) and (ii) of the Local Government: Municipal Finance Management Act (Act no. 56 of 2003), read in conjunction with section 21A of the Municipal Systems Act (No. 32 of 2000), that the Overstrand Municipality hereby make public an information statement setting out particulars of proposed long-term debt to the total amount of R150 million, as per the approved budget for 2021/2022 and indicative years 2022/2023 and 2023/2024

Purpose: R150 000 000- Overstrand Infrastructure relating to Electricity, Water and Sewage projects. The drawdown on the facility is intended to be in three tranches of R50 000 000 per annum for 2021/2022, 2022/2023 and 2023/2024 respectively.

The debt will be unsecured.

Invitation for Comments: Written comments or representations, if any, must reach the undersigned on or before 11 January 2022. Persons who are unable to write will be assisted during office hours at the various municipal offices, to transcribe their comments or representations. Further details are obtainable from Mr BA King (028 313 8154) at the Municipal offices – Hermanus during office hours or email: bking@overstrand.gov.za

D G I O'Neill
MUNICIPAL MANAGER
Overstrand Municipality
PO Box 20
HERMANUS
7200
Notice no. 175/2021

Kennis geskied hiermee ingevolge artikel 46(3)(a)(i) en (ii) van die Wet op Plaaslike Regering: Munisipale Finansiële Bestuur (Wet Nr. 56 van 2003), saamgelees met artikel 21A van die Munisipale Stelselwet (Wet Nr. 32 van 2000), dat Munisipaliteit Overstrand hiermee 'n inligtingsverklaring bekend maak met besonderhede van beoogde langtermynskuld ten bedrae van R150 miljoen, ingevolge die goedgekeurde begroting vir 2021/2022 en onderskeie jare 2022/2023 en 2023/2024.

Faciliteit: R150 000 000 - Overstrand infrastruktuur ten opsigte van Elektrisiteit, Water en Rool projekte. Die opneem van die fasiliteit is bedoel om in drie trekkings van R50 000 000 per jaar onderskeidelik vir 2021/2022, 2022/2023 en 2023/2024 te geskied

Die skuld sal onverseker wees.

Uitnodiging vir kommentaar: Geskrewe kommentaar of versoë, indien enige, moet die ondergetekende bereik voor of op 11 Januarie 2022. Persone wat nie kan skryf nie, sal gedurende kantoorure by die onderskeie Munisipale kantore gehelp word om hul kommentare of voorstelle op skrif te stel. Verdere besonderhede is verkrygbaar by Mnr BA King (028 313 8154). Munisipale kantore te Hermanus, gedurende kantoorure of e-pos: bking@overstrand.gov.za.

D G I O'Neill
MUNISIPALE BESTUURDER
Munisipaliteit Overstrand
Posbus 20
HERMANUS
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Kennisgewing nr. 175/2021

Isaziso sinikezelwa ngokwemigaqo yecandelo 46(3)(a)(i) kunye (ii) woRhulumente weNgingqi: uMtheitho wolawulo lweMali kaMasipala (uMtheitho wama-56 ka-2003), ofundwe ngokuhambisana necandelo 21A loMtheitho weNkqubo zikaMasipala (uMtheitho wama-32 ka-2000), ukuba uMasipala wase-Overstrand wazisa umphakathi ngolwazi olunika inkcazelo emalunga neyala lexesha elide elicetywayo elixabisa kwi-R150 yezigidi, ngokokunywiyweyo kuhlalo lwabiwo-mali kunyaka wama-2021/2022 kunye neminyaka ebonisa u-2022/2023 no 2023/2024.

Injongo: i-R150 000 000 – Iziseko zophuhliso lwase-Overstrand eziphathelele kwilprojekthi zo-Mbane, aManzi kunye nenkqubo yokuthuthwa kwamanzi. Ukuphekezwa kwesi sindululo kucetywe ukuba ku-R50 000 000 ngonyaka ngamnye kwiminyaka yama-2021/2022, 2022/2023 kunye ne-2023/2024.

Ityala liya kuba linga khuselekanga.

Isimemo sezimvo: Izimvo ezibhalileyo, ukuba zikhona, kufuneka zifikelele kwaba bakhankanywe ngezantsi ngomhla okanye ngaphambi komhla wama-11 ku-Januwari 2022. Abantu abangakwaziyo ukubhala baya kuncediswa ngexesha lee-ofisi kwicofisi zikamasipala ezahlukeneyo, ukubhala izimvo zabo okanye izicelo zabo, iinkokacha ezongezelelweyo zifumaneka kuMnu BA King (028 313 8154) kwicofisi zikaMasipala - eHermanus ngexesha lee-ofisi okanye i-ireyile: bking@overstrand.gov.za

D G I O'Neill
UMPHATHI MASIPALA
Overstrand Municipality
PO Box 20
HERMANUS
7200
Isaziso no. 175/2021



15 December 2021

NOTICE TO COUNCILLORS

OVERSTRAND MUNICIPALITY: LONG TERM DEBT

Notice in terms of section 46(3)(b) of the Local Government: Municipal Finance Management Act, 2003: (Act no. 56 of 2003).



Mr D G I O'Neill
MUNICIPAL MANAGER



OVERSTRAND MUNICIPALITY

INFORMATION STATEMENT: RAISING OF EXTERNAL LOAN

Notice is hereby given in terms of section 46(3)(a) of the Local Government: Municipal Finance Management Act, 2003: (Act no. 56 of 2003) that the Municipality intends raising external loans to the amount of R150 000 000, as approved by Council through the budget for the 2021/2022 MTREF in order to finance the following:

Overstrand services Infrastructure relating to Electricity, Water and Sewage: R150 000 000.

The debt will be unsecured.

Draft Loan Assumptions, repayment terms and anticipated total cost:

Total Loans Amount:	R150 million
Term of Loan:	10 Years per tranche
Indicative Interest Rate (Interest rates are based on indicative interest rates as per the proposals received and are only fixed at the time of drawdown and are further subject to market movements)	8,890%
Fixed or Variable Interest	Fixed Interest Rate
Loan Repayments:	Semi-annual (December & June)
Drawdown	Three tranches of R50m p.a. in respect of the 2021/2022, 2022/2023 and 2023/2024 financial years

Anticipated Cost:

2021/2022

Loan amount	R50 000 000
Loan period	10 Years
Indicative Interest Rate	8,890%
Six monthly installments (20)	R3 825 510
Financing costs	R26 510 203
Total costs	R76 510 203

2022/2023

Loan amount	R50 000 000
Loan period	10 Years
Indicative Interest Rate	8,890%
Six monthly installments (20)	R3 825 510
Financing costs	R26 510 203
Total costs	R76 510 203

2023/2024

Loan amount	R50 000 000
Loan period	10 Years
Indicative Interest Rate	8,890%
Six monthly installments (20)	R3 825 510
Financing costs	R26 510 203
Total costs	R76 510 203

Anticipated Total Cost:

Semi-annual Payments	Year 1 (2 Installments)	R7 651 020
	Year 2 (2 Installments)	R15 302 040
	Year 3 to 10 (16 Installments)	R22 953 060
	Year 11 (2 Installments)	R15 302 040
	Year 12 (2 Installments)	R7 651 020
Financing Costs		R79 530 609
Total Costs		R229 530 609


D G I O'Neill**MUNICIPAL MANAGER**

REPAYMENT SCHEDULE AND SUMMARY OF ANTICIPATED TOTAL COST

Period	Rate	TRANSCHE 1 (2022/02/28)				TRANSCHE 2 (2022/02/28)				TRANSCHE 3 (2022/02/28)			
		Balance	Scheduled Payment	Interest	Capital	Balance	Scheduled Payment	Interest	Capital	Balance	Scheduled Payment	Interest	Capital
1/22	8.89%	50,000,000.00	3,625,510.16	2,222,500.00	1,603,010.16	50,000,000.00	3,625,510.16	2,222,500.00	1,603,010.16	50,000,000.00	3,625,510.16	2,222,500.00	1,603,010.16
6/23	8.89%	48,396,880.84	3,625,510.16	2,151,246.20	1,574,634.64	46,729,726.88	3,625,510.16	2,076,825.17	1,546,809.71	45,064,572.72	3,625,510.16	2,003,075.24	1,519,284.87
1/24	8.89%	46,729,726.88	3,625,510.16	2,076,825.17	1,546,809.71	44,074,040.68	3,625,510.16	1,917,012.01	1,507,816.15	42,348,528.52	3,625,510.16	1,794,528.11	1,480,668.00
6/24	8.89%	44,074,040.68	3,625,510.16	1,853,119.28	1,480,668.00	40,617,028.36	3,625,510.16	1,633,119.28	1,451,511.91	38,891,509.20	3,625,510.16	1,451,511.91	1,422,390.99
1/25	8.89%	40,617,028.36	3,625,510.16	1,555,480.26	1,422,390.99	38,147,037.90	3,625,510.16	1,344,907.90	1,399,925.65	36,722,529.74	3,625,510.16	1,270,990.90	1,371,451.91
6/25	8.89%	38,147,037.90	3,625,510.16	1,249,153.85	1,371,451.91	36,492,024.14	3,625,510.16	1,054,153.85	1,327,044.49	34,866,510.28	3,625,510.16	1,054,153.85	1,300,428.47
1/26	8.89%	36,492,024.14	3,625,510.16	934,027.43	1,300,428.47	34,866,510.28	3,625,510.16	629,027.43	1,244,622.80	32,241,000.12	3,625,510.16	629,027.43	1,212,811.91
6/26	8.89%	34,866,510.28	3,625,510.16	529,291.07	1,212,811.91	32,241,000.12	3,625,510.16	224,291.07	1,137,521.84	29,615,489.06	3,625,510.16	224,291.07	1,105,230.99
1/27	8.89%	32,241,000.12	3,625,510.16	149,523.86	1,105,230.99	29,615,489.06	3,625,510.16	67,523.86	1,010,708.13	27,000,000.00	3,625,510.16	67,523.86	1,000,000.00
6/27	8.89%	29,615,489.06	3,625,510.16	0	1,000,000.00	27,000,000.00	3,625,510.16	0	912,187.27	24,374,489.73	3,625,510.16	0	912,187.27
1/28	8.89%	27,000,000.00	3,625,510.16	0	912,187.27	24,374,489.73	3,625,510.16	0	813,676.70	21,748,979.43	3,625,510.16	0	813,676.70
6/29	8.89%	24,374,489.73	3,625,510.16	0	813,676.70	21,748,979.43	3,625,510.16	0	715,166.13	19,123,469.30	3,625,510.16	0	715,166.13
1/29	8.89%	21,748,979.43	3,625,510.16	0	715,166.13	19,123,469.30	3,625,510.16	0	616,655.56	16,497,959.14	3,625,510.16	0	616,655.56
6/30	8.89%	19,123,469.30	3,625,510.16	0	616,655.56	16,497,959.14	3,625,510.16	0	518,145.00	13,872,449.00	3,625,510.16	0	518,145.00
1/31	8.89%	16,497,959.14	3,625,510.16	0	518,145.00	13,872,449.00	3,625,510.16	0	419,634.43	11,246,938.84	3,625,510.16	0	419,634.43
6/32	8.89%	13,872,449.00	3,625,510.16	0	419,634.43	11,246,938.84	3,625,510.16	0	321,123.87	8,621,428.68	3,625,510.16	0	321,123.87
1/33	8.89%	11,246,938.84	3,625,510.16	0	321,123.87	8,621,428.68	3,625,510.16	0	222,613.30	5,995,918.52	3,625,510.16	0	222,613.30
6/34	8.89%	8,621,428.68	3,625,510.16	0	222,613.30	5,995,918.52	3,625,510.16	0	124,102.74	3,370,408.36	3,625,510.16	0	124,102.74
1/35	8.89%	5,995,918.52	3,625,510.16	0	124,102.74	3,370,408.36	3,625,510.16	0	25,592.18	74,898.18	3,625,510.16	0	25,592.18
6/36	8.89%	74,898.18	3,625,510.16	0	25,592.18	74,898.18	3,625,510.16	0	0	0	3,625,510.16	0	0
TOTALS		50,000,000.00	228,530,609.66	79,650,609.66	150,000,000.00	50,000,000.00	228,530,609.66	79,650,609.66	150,000,000.00	50,000,000.00	228,530,609.66	79,650,609.66	150,000,000.00

SUMMARY OF ANTICIPATED TOTAL COST

Period	Rate	Balance	Scheduled Payment	Interest	Capital
1/22	8.89%	50,000,000.00	3,625,510.16	2,222,500.00	1,603,010.16
6/23	8.89%	48,396,880.84	3,625,510.16	2,161,246.20	1,674,268.98
1/24	8.89%	46,729,726.88	3,625,510.16	2,099,991.77	1,745,527.80
6/24	8.89%	44,074,040.68	3,625,510.16	2,038,737.34	1,816,786.62
1/25	8.89%	40,617,028.36	3,625,510.16	1,977,482.91	1,888,045.44
6/25	8.89%	38,147,037.90	3,625,510.16	1,916,228.48	1,959,304.26
1/26	8.89%	36,492,024.14	3,625,510.16	1,854,974.05	2,030,563.08
6/26	8.89%	34,866,510.28	3,625,510.16	1,793,719.62	2,101,821.90
1/27	8.89%	32,241,000.12	3,625,510.16	1,732,465.19	2,173,080.72
6/27	8.89%	29,615,489.06	3,625,510.16	1,671,210.76	2,244,339.54
1/28	8.89%	27,000,000.00	3,625,510.16	1,609,956.33	2,315,598.36
6/29	8.89%	24,374,489.73	3,625,510.16	1,548,701.90	2,386,857.18
1/29	8.89%	21,748,979.43	3,625,510.16	1,487,447.47	2,458,116.00
6/30	8.89%	19,123,469.30	3,625,510.16	1,426,193.04	2,529,374.82
1/31	8.89%	16,497,959.14	3,625,510.16	1,364,938.61	2,600,633.64
6/32	8.89%	13,872,449.00	3,625,510.16	1,303,684.18	2,671,892.46
1/33	8.89%	11,246,938.84	3,625,510.16	1,242,429.75	2,743,151.28
6/34	8.89%	8,621,428.68	3,625,510.16	1,181,175.32	2,814,410.10
1/35	8.89%	5,995,918.52	3,625,510.16	1,119,920.89	2,885,668.92
6/36	8.89%	74,898.18	3,625,510.16	1,058,666.46	2,956,927.74
TOTALS		50,000,000.00	228,530,609.66	79,650,609.66	150,000,000.00



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Reference: PTR 14/2/5
 Enquires: Ms A Paries

Private Bag X9165
 Cape Town
 8000

The Municipal Manager
 Overstrand Municipality
 Po Box 20
 HERMANUS
 7200

Dear Mr D G O'Neill

WESTERN CAPE PROVINCIAL TREASURY COMMENT ON THE LONG-TERM BORROWING FOR THE OVERSTRAND MUNICIPALITY OF R150.0 MILLION

Provincial Treasury (PT) considered the long-term borrowing proposal of the Overstrand Municipality and herewith provides comments based on compliance with the legislative requirements in terms of the Municipal Finance Management Act, Act no. 56 of 2003 (MFMA) as well as on the affordability of the long-term borrowing. It is requested that PT's comments be tabled before the Municipal Council.

Compliance Assessment

1. Provincial Treasury notes that the Municipality has submitted the required information as per MFMA Circulars 26 and 42; has set its objectives in accordance with section 152 of the Constitution of Republic of South Africa, Act No. 108 of 1996 (Constitution) and; ensured compliance with the MFMA and Municipal Supply Chain Management Regulations.
2. The Municipality made public an information statement setting out particulars of the intended external financing of its capital programme.
3. Table 1 indicates the relevant sections in relation to the MFMA Circulars which provide the necessary legislative guidelines and information required to make the needed comments as stated in section 46(3)(a) of the MFMA as well as MFMA Circulars 26 and 42.

Table 1 Compliance with MFMA in relation to MFMA Treasury Circulars 26 & 42 as issued by National & Provincial Treasury

MFMA/ Treasury Circulars	Details	Compliance Yes/No
S46(3)(a)(i) and (ii)	The information statement and media advertisement were made public on 15 December 2021 in the newspaper (Hermanus Times), radio, on notice boards of the Municipality and the municipal websites.	Yes
S46(3)(b)(i) and (ii)	The loan funds will be sourced from financial institutions accredited in terms of the Banks Act.	Process completed.
S46(6), S17(2), S19	The long-term loan is consistent with the capital budget as referred to in S 17(2) of the MFMA. The total loan amount is for R150.0 million.	Yes
S46(5)	This section is not applicable, because the borrowing (debt) purpose is not for refinancing existing long-term borrowing (debt).	N/A
S19(1)(d)	The sources of the funding have been considered, are available and have not been committed for other purposes.	Yes
MFMA National Treasury Circular No.26/2005	A schedule of all long-term borrowing (debt) obligations in the format of the QBMR showing principal and interest payments for the life of all loans and any associated investments set up as sinking funds etc.	Yes
MFMA Provincial Treasury Circular No. 42/2010	The Long-Term Debt Certification to be dated and signed by the Municipal Manager (Accounting Officer) and the Executive Mayor/Chairperson of the Board.	Yes

Affordability Assessment

4. The affordability assessment that follows is based on the 2019/20 and 2020/21 audited Annual Financial Statements (AFS); the In-year monitoring (IYM) operating and capital expenditure reports for the 2021/22 financial year as at 30 November 2021; Cash Flow Actuals performance for the 2021/22 financial year as at 30 November 2021; as well as the Fourth Review of the Integrated Development Plan 2017/18 – 2021/22 (IDP).
5. The purpose of the external loan is to obtain a 10-year borrowing agreement to provide the necessary infrastructure to improve service delivery to the community.
6. The Municipality intends to raise an external loan to the value of R150.0 million to finance the 2021/22 to 2023/24 capital budget through a 10-year loan at a fixed rate of 8.89 per cent. The interest rate is in line with current market trends for borrowing over the long-term. The South African Reserve Bank has indicated that their rate-cutting cycle has ended, and rates are likely to increase in future, therefore this is an opportune time to engage in long-term borrowing at fixed rates. The loan repayment periods are linked to the economic life cycle of the assets to be procured and it is intended that this could have future cash inflow benefits as the loan will be spent.
7. The loan drawdown will be in three tranches of R50.0 million over a three-year period of which the repayments will be made semi-annually, with the first instalment to be paid on 30 June 2022 and last payment due 30 June 2034.

8. In considering the affordability of the loan, a number of financial ratios (as per the audited AFS of 2019/20 and 2020/21) were considered and are depicted in Table 2 below.

Table 2 Ratio analysis

Ratio	National Treasury Norm or acceptable range	2019/20 (Audited)	2020/21 (Audited)
Current Ratio	1.5:1 to 2	2.74:1	2.47:1
Debtors collection period	30 days	50 days	47 days
Capital Cost (Interest paid and redemption to total operating expenditure)	6% - 8%	7.25%	7.22 %
Total Liabilities to Total Assets	<50%	20.35%	21.09%
Cash and cash equivalents to Current liabilities	1:1	2.21:1	1.97:1
Debt (Total Borrowings) to Total Operating Revenue	45%	45.58%	46.90%

9. The current ratio decreased from 2.74:1:1 in 2019/20 to 2.47:1 in 2020/21, but remains above the National Treasury (NT) acceptable norm. The ratio results indicate the Municipality has sufficient liquid assets to meet its short-term obligations.
10. The collection period improved for net debtors from 50 days in 2019/20 to 47 days in 2020/21. Although the ratio improved, it is not within the acceptable norm of 30 days indicating that it takes the Municipality more than the 30-day limit set by NT to collect its outstanding debt owed by debtors.
11. The capital cost (interest paid and redemption to total operating expenditure) result is below the NT norm of 6-8 per cent. The ratio depicts that there is capacity for the Municipality to take up additional borrowing, however, this will increase the capital cost ratio to above the 8 per cent NT norm. The ability of the Municipality to meet future capital costs should be considered within the affordability parameters.
12. The Total Liabilities to Total Assets ratio results shows an increase from 20.35 per cent in 2019/20 to 21.09 per cent in 2020/21 but remains within the acceptable norm of less than 50 per cent. The Municipality has sufficient assets to cover its liabilities and the net asset position appears to be sound implying that it has a healthy financial position.
13. The cash and cash equivalent to current liabilities ratio results has decreased from 2.21:1 in 2019/20 to 1.97:1 in 2020/21. The ratio is above the NT norm of 1:1, which implies that the Municipality's cash and cash equivalents is adequate and can cover short term obligations when they become due for payment.
14. The debt to total operating revenue result increased from 45.58 per cent in 2019/20 to 46.90 per cent in 2020/21 and is above the NT norm of 45 per cent. However, the Municipality indicated that they have subsequently brought this ratio below the 45 per cent norm. As planned redemptions over the next MTREF period exceed the additional borrowing proposed, the additional borrowing should not place the Municipality at risk of exceeding this ratio.
15. During November 2021, total outstanding debtors amounted to R127.16 million, which represents a year-on-year increase of R9.43 million compared to the R117.74 million as at 30 November 2020.



Household debt formed the highest debt per customer group, with an amount of R112.82 million (89.0 per cent) of the total debt of R127.16 million. It was noted that despite the economic climate, the Municipality reported a collection rate of 99.57 percent for the reporting period, which is commendable.

Socio-economic Impact

16. The proposal indicates that the intended funds will be applied to address infrastructure demand requirements pertaining to the provision of electricity, water and sanitation services. Cognisant of the findings of the 2021/22 Strategic Integrated Municipal Engagements (SIME) process, PT can confirm that the Municipality's energy, water and sanitation networks are under pressure amidst ageing infrastructure and the growing demand for services stemming from population growth. Although the networks can still satisfy existing demand, expansions and upgrades are required to accommodate anticipated residential and commercial growth and development across the medium-term. These risks have adequately been captured in the 2021/22 Budget Document as well as the adopted 2021/22 Integrated Development Plan (IDP) Review.
17. Furthermore, page 835 of the borrowing proposal lists the actual projects to be funded by the loan funding; LGBO can confirm that all of these projects were included in the 2021/22 Service Delivery and Budget Implementation Plan (SDBIP) (approved on 9 June 2021).

Conclusion

18. After assessing the proposed long-term borrowing, PT draws the Municipality's attention to the following:
 - a) Provincial Treasury cautions the Municipality of the negative impact on cash flows due to the 4th wave and possible further waves of the Covid-19 pandemic due to the effect on the ability of consumers to maintain monthly payments of municipal accounts.
 - b) Furthermore, PT cautions the Municipality against the impact of any underperformance of collecting long outstanding debt and all other sources of revenue in lieu of the prevailing economic outlook.
 - c) The Municipality must ensure that their capital spending remains in line with the expenditure projections to mitigate the risk of underperforming at year-end and to further ensure that the loans taken up are fully utilised.
 - d) The Municipality should ensure adherence to section 46 of the MFMA. Additionally, the Municipality needs to ensure adherence to all the requirements stipulated in the Supply Chain Management Policy as well as considering contract management outlined in section 116 of the MFMA.
 - e) The intended long-term borrowing to fund the capital projects will place a debt burden on the Municipality. The Municipality is thus advised to ensure that all of its assumptions in respect of the costs associated with the borrowings are taken into account in its budget.



- f) The outcome of the calculated ratios indicate that the Municipality has the capacity to take up the additional funding. However, the Municipality must carefully monitor the impact that the increased financing will have on the cash flow, affordability parameters and solvency of the Municipality and be prepared to adjust future borrowing and expenditure plans to offset any unexpected deterioration in the financial position.
- g) This letter should be tabled in Council for consideration, and it is recommended that the Municipality ensure the transaction is consistent with the MFMA, the Long-Term Financial Plan and the adopted budget in respect of borrowings.

Kind regards,

**Steven
Kenyon**

Digitally signed by
Steven Kenyon
Date: 2022.01.18
05:46:45 +02'00'

MR S KENYON

CHIEF DIRECTOR: LOCAL GOVERNMENT PUBLIC FINANCE

WESTERN CAPE PROVINCIAL TREASURY

DATE:



TERM LOAN AGREEMENT

by and between

THE STANDARD BANK OF SOUTH AFRICA LIMITED

and

OVERSTRAND MUNICIPALITY

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ANNEXURES

Annexure A NOTICE OF DRAWDOWN

1. PARTIES

The parties to this agreement are:

- 1.1 The Standard Bank of South Africa Limited; and
- 1.2 Overstrand Municipality.

2. DEFINITIONS

- 2.1 In this Agreement, unless clearly inconsistent with or otherwise indicated by the context:
- 2.1.1 **Agreement** means this agreement, together with all appendices hereto and letters and notices given in terms hereof from time to time, all read together;
 - 2.1.2 **Bank** means The Standard Bank of South Africa Limited (Registration Number 1962/000738/06), a public company duly incorporated with limited liability according to the company laws of South Africa and its successors in title and assigns;
 - 2.1.3 **Borrower** means Overstrand Municipality, a municipality established in accordance with the Local Government: Municipal Structures Act 117 of 1998 and the municipal laws of South Africa;
 - 2.1.4 **Borrower's Loan Account** means the loan account in the Borrower's name in the Bank's books in respect of the Loan Facility;
 - 2.1.5 **Business Day** means a day other than a Saturday, Sunday or proclaimed public holiday in South Africa;
 - 2.1.6 **Calendar Month** means a full calendar month in any year, namely, January, February, March, April, May, June, July, August, September, October, November and December;
 - 2.1.7 **Collateral** means any security, indemnity or undertaking provided to the Bank to secure the Borrower's payment and other obligations in terms of this Agreement;
 - 2.1.8 **Collateral Provider** means each person or entity who is to provide Collateral to the Bank in respect of the due performance by the Borrower of its payment and other obligations in terms of this Agreement;
 - 2.1.9 **Early Repayment** means any payment made by the Borrower in advance and in addition to the repayment set out in 8 of this Agreement, as part payment of the Loan Facility;
 - 2.1.10 **FICA** means the Financial Intelligence Centre Act 38 of 2001;
 - 2.1.11 **Group** means Standard Bank Group Limited, its subsidiaries and their subsidiaries;
 - 2.1.12 **Indebtedness** means the total balance of the capital amount outstanding on the Loan Facility plus any interest, fees and costs in respect of the Loan Facility which are owed by the Borrower to the Bank from time to time;
 - 2.1.13 **Limit** shall have the meaning ascribed to it in clause 5;
 - 2.1.14 **Loan** means each drawdown of the Loan Facility, as set out in clause 6;
 - 2.1.15 **Loan Facility** means the term loan facility referred to in this Agreement;
 - 2.1.16 **Material Adverse Event** means any event, circumstance or matter or combination of events, circumstances or matters which, in the reasonable opinion of the Bank, has or may have a material adverse effect on the:
 - 2.1.16.1 business, assets, operations, property or financial condition of the Borrower taken as a whole;
 - 2.1.16.2 ability of the Borrower to perform its obligations in terms of this Agreement;
 - 2.1.16.3 ability of a Collateral Provider to perform its obligations in terms of the Collateral; or
 - 2.1.16.4 validity or enforceability of this Agreement or the Collateral or any other documents provided under this Agreement or the rights or remedies of the Bank thereunder;
 - 2.1.17 **MFMA** means the Local Government: Municipal Finance Management Act 56 of 2003, including all schedules and regulations thereto;
 - 2.1.18 **Parties** means the Bank and the Borrower and Party means any one of them as the context may indicate;
 - 2.1.19 **Personal Information** means information about an identifiable, natural person and where applicable, a juristic person, including, but not limited to information about: race; gender; sex; pregnancy; marital status; nationality; ethnic or social origin; colour; sexual orientation; age; physical or mental health; well-being; disability; religion; conscience; belief; culture; language; birth; education; medical, financial, criminal or employment history; any identifying number, symbol, e-mail, postal or physical address, telephone

- number; location; any online identifier; any other particular assignment of the person; biometric information; personal opinions, views or preferences of the person or the views or opinions of another individual about the person; correspondence sent by the person that is implicitly or explicitly of a private or confidential nature or further correspondence that would reveal the contents of the original correspondence; and the name of the person if it appears with other personal information relating to the person or if the disclosure of the name itself would reveal information about the person;
- 2.1.20 **Prime Rate** means the publicly quoted variable base rate of interest per annum ruling from time to time at which the Bank lends on overdraft, available on the Bank's website: www.standardbank.co.za (or as certified by any manager or business unit head of the Bank, whose appointment it shall not be necessary to prove and which certification shall be binding on the Parties absent manifest error);
- 2.1.21 **Process** means any operation or activity, automated or not, concerning Personal Information, including: alteration, blocking, collation, collection, consultation, degradation, destruction, dissemination by means of transmission, distribution or making available in any other form, erasure, linking, merging, organisation, receipt, recording, retrieval, storage, updating, modification, or the use of Information; Processing and Processed will have a similar meaning;
- 2.1.22 **Rand** means the South African Rand, the currency of South Africa;
- 2.1.23 **Sanctioned** means listed on all or any one of the Sanction Lists or subject to any Sanctions;
- 2.1.24 **Sanction List** means the Specially Designated Nationals and Blocked Persons List of the Office of Foreign Assets Control of the Department of Treasury of the United States of America or the United Nations Security Council list of persons or entities suspected to be involved in terrorist related activities or the funding thereof or any other list of Her Majesty's Treasury of the United Kingdom or the European Union's Common Foreign and Security Policy;
- 2.1.25 **Signature Date** means the date of signature of this Agreement by the Party signing last in time;
- 2.1.26 **South Africa** means the Republic of South Africa; and
- 2.1.27 **VAT** means value added tax in terms of the Value Added Tax Act, 89 of 1991.
- 2.2 Any reference in this Agreement to legislation or subordinate legislation is to such legislation or subordinate legislation at the Signature Date and as amended or re-enacted from time to time.
- 2.3 Words importing the singular shall include the plural, and *vice versa*, words importing the masculine gender shall include the feminine and neuter genders, and *vice versa*, and words importing natural persons shall include legal persons, and *vice versa*.
- 2.4 The head notes to the clauses to this Agreement are inserted for reference purposes only and shall not affect the interpretation of any of the provisions to which they relate.
- 2.5 If any provision in the definition clause is a substantive provision conferring rights or imposing obligations on a Party, then notwithstanding that such provision is contained in this clause, effect shall be given thereto as if such provision were a substantive provision in the body of the Agreement.
- 2.6 Words and expressions defined in any clause shall, unless the application of any such word or expression is specifically limited to that clause, bear the meaning assigned to such word or expression throughout this Agreement.
- 2.7 Unless otherwise provided, defined terms appearing in this Agreement in title case shall be given their meaning as defined, while the same terms appearing in lower case shall be interpreted in accordance with their plain English meaning.
- 2.8 The words include and including mean include without limitation and including without limitation. The use of the words include and including followed by a specific example or examples shall not be construed as limiting the meaning of the general wording preceding it.
- 2.9 When any number of days is prescribed in this Agreement, same shall be reckoned exclusively of the first and inclusively of the last day.
- 2.10 If the due date for performance of any obligation in terms of this Agreement is a day which is not a Business Day then (unless otherwise stipulated) the due date for performance of the relevant obligation shall be the immediately preceding Business Day.
- 2.11 Any reference in this Agreement which requires that the Bank exercise its discretion in respect of any matter stated herein shall mean that the exercise thereof shall be as determined by the Bank in its reasonable discretion.

- 2.12 When any condition of this Agreement requires fulfilment by the Borrower, or any information, evidence, proof or documentation is required to be furnished by the Borrower, such condition shall be required to be fulfilled and information, evidence, proof or documentation shall be required to be furnished, in a form and substance to the satisfaction of the Bank.
- 2.13 Unless the context indicates a contrary intention, any reference in this Agreement to material or materially shall mean material or materially as determined by the Bank in its reasonable opinion.
- 2.14 No provision of this Agreement shall (unless otherwise stipulated) constitute a stipulation for the benefit of any person (*stipulatio alteri*) who is not a Party to this Agreement.
- 2.15 The terms and conditions of this Agreement having been negotiated by the Parties, no provision herein shall be construed against or interpreted to the disadvantage of any Party by reason of such Party having or being deemed to have structured, drafted or introduced such provision.
- 2.16 Any reference in this Agreement to a specific requirement under the MFMA shall not derogate from or exclude the application of any provisions not specifically referred to herein.

3. LOAN FACILITY

The Bank has agreed to grant the Borrower the Loan Facility, on and subject to the terms and conditions hereinafter set out.

4. RANKING OF LOAN FACILITY

The Borrower represents, warrants and undertakes that the Loan Facility comprises senior debt and ranks at least equally with all other senior debt in terms of servicing, repayment and collateral rights and the claims of all of the Borrower's other unsecured and unsubordinated creditors, except for obligations mandatorily preferred by law.

5. LIMIT

- 5.1 The aggregate amount to be advanced to the Borrower under the Loan Facility is R150,000,000 (one hundred and fifty million Rand) (Limit).
- 5.2 To the extent that a drawdown under the Loan Facility would cause the Limit to be exceeded, the Borrower shall not be entitled to make such a drawdown.

6. AVAILMENT AND PURPOSE

- 6.1 The Loan Facility may be availed of by the Borrower as follows:
- 6.1.1 an amount of R50,00,000 for the Borrower's 2021/2022 financial year to be drawdown on or before the close of business on the 30th of June 2022;
- 6.1.2 an amount of R50,00,000 for the Borrower's 2022/2023 financial year to be drawdown on or before the close of business on the 30th of June 2023; and
- 6.1.3 an amount of R50,00,000 for the Borrower's 2023/2024 financial year to be drawdown on or before the close of business on the 30th of June 2024,

each drawdown, referred to as a Loan.

- 6.2 Each Loan may only be utilised on fulfilment to the satisfaction of the Bank or waiver by the Bank of all the conditions precedent referred to in clause 11 and provided that each Loan drawdown must be made by the Borrower under the Loan Facility within 3 (three) months from the date of such fulfilment or waiver of all of the conditions precedent set out in clause 11, following which date, any unutilised portion of the Loan Facility shall be reduced by such unutilised amount. The Borrower shall be obliged to give the Bank prior written notice of a requested drawdown by not later than 11:00 am at least 2 (two) Business Days before the proposed date of drawdown in the form of Annexure A hereto.
- 6.3 The Loan Facility shall be utilised by the Borrower to fund the Borrower's capital expenditure projects as contemplated in section 46(1)(a) of the MFMA as approved by the Borrower's Municipal Council for the Borrower's 2021/2022, 2022/2023 and 2023/24 financial years.
- 6.4 The Bank shall not, however, be under any obligation to verify or monitor that the Borrower will utilise the Loan Facility for the aforesaid purpose.

7. INTEREST

- 7.1 Each Loan shall bear interest at a fixed interest rate as follows:
- 7.1.1 in respect of option 1 referred to in clause 8.1.1 (10 (ten) years): 8.89% (eight point eight nine percent) per annum; or

- 7.1.2 in respect of option 2 referred to in clause 8.1.2 (15 (fifteen) years): 9.77% (nine point seven seven percent) per annum.
- 7.2 These rates are indicative and subject to change on the date of drawdown of each Loan under the Loan Facility. Any such change to the interest rate will be advised by the Bank to the Borrower in writing on the date of the date of first drawdown of the respective Loan.
- 7.3 The interest payable by the Borrower is calculated on a nominal annual compounded bi-annually in arrears basis on the Indebtedness and is calculated on a 365 (three hundred and sixty five) day year, irrespective of whether it is a leap year.
- 7.4 The interest payable by the Borrower will be:
- 7.4.1 charged bi-annually in arrears;
- 7.4.2 debited to the Borrower's Loan Account on a date convenient to the Bank and shall be payable in accordance with clause 8.
- 7.5 The Bank may immediately amend the pricing structure of the Loan if there is a change in:
- 7.5.1 law or the issue of a directive with which the Bank must comply; or
- 7.5.2 market conditions resulting in an increasing cost to the Bank.
- 7.6 If the Bank amends the pricing structure of the Loan, it will advise the Borrower accordingly.

8. DURATION AND REPAYMENT

- 8.1 The capital and interest amount of each Loan under the Loan Facility is to be repaid (**Repayments**) by the Borrower over the following periods (**Term**) as follows:
- 8.1.1 Option 1: over a period of 10 (ten) years in 20 (twenty) equal bi-annual instalments; or
- 8.1.2 Option 2: over a period of 15 (fifteen) years in 30 (thirty) equal bi-annual instalments,
- in terms of the Repayment schedule to be prepared by the Bank on receipt of the drawdown notice referred to in clause 6 and delivered by the Bank to the Borrower at the address set out clause 18.15.1.2 or 18.15.2.2.
- 8.2 The first Repayment shall be due 6 (six) months following first drawdown under each Loan and shall thereafter be due and payable on the last business day of every 6th (sixth) month of each and every succeeding year.
- 8.3 All Repayments pursuant to this Agreement shall be made by means of electronic funds transfer, in permanent reduction of the Loan Facility, into a bank account the details of which will be communicated to the Borrower in writing.
- 8.4 The Bank reserves the right in its sole discretion, to accept payment made other than by electronic funds transfer.
- 8.5 The Parties agree that the Repayment schedule in respect of each Loan will be amended by the Bank from time to time to cater for variations in the interest rate, changes in the interest period due to fluctuations in the interest calculations and/or in the event that the Bank becomes entitled to amend the pricing structure of the Loan Facility in accordance with this Agreement. The Bank will deliver the amended Repayment schedule in respect of each Loan to the Borrower at the address set out clause 18.15.1.2 or 18.15.2.2.

9. EARLY REPAYMENTS

- 9.1 The Borrower shall be entitled to make an Early Repayment of the Loan Facility. If the Borrower wishes to make an Early Repayment of the Loan Facility which is:
- 9.1.1 in permanent reduction of the Loan Facility, then:
- 9.1.1.1 the Early Repayment must be made on not less than 90 (ninety) Business Days' written notice (or such shorter notice period as the Bank may agree to in writing) of the Borrower's intention to make such Early Repayment; and
- 9.1.1.2 the Repayments over the remainder of the Term will be rescheduled by agreement in writing between the Parties; or
- 9.1.2 not in permanent reduction of the Loan Facility then:
- 9.1.2.1 an Early Repayment must be in multiples of R100,000 (one hundred thousand Rand);
- 9.1.2.2 only 1 (one) Early Repayment may be made in any Calendar Month; and
- 9.1.2.3 the Borrower may drawdown in part or in full up to the amount of such Early Repayment, provided that:

- 9.1.2.3.1 the Borrower provides the Bank with a drawdown notice by not later than 11:00 am at least 2 (two) Business Days before the proposed date of drawdown in the form of Annexure A hereto;
- 9.1.2.3.2 the purpose for the drawdown is and remains the same as contemplated in clause 6 and consistent with section 46(1) of the MFMA;
- 9.1.2.3.3 such drawdowns are in multiples of R100,000 (one hundred thousand Rand);
- 9.1.2.3.4 only one such drawdown may be made in any Calendar Month; and
- 9.1.2.3.5 the Bank may, however, on written notice to the Borrower, refuse a drawdown of an Early Repayment where there has been an event of default set out in clause 14 or any change(s) in circumstances set out in clause 16.
- 9.2 To the extent that an Early Repayment is made, this will not result in any waiver of any rights by the Bank in terms of this Agreement or relieve the Borrower of its obligations to comply with the provisions of this Agreement.

10. EARLY SETTLEMENT

In the event of an early repayment as contemplated in clause 9.1.1 and 9.1.2. above, the Borrower will fully compensate the Bank for the costs, expenses, liabilities or losses incurred or suffered in connection with, or following the modification, breaking, or unwinding, or funding from other sources, or any arrangement which the Bank may have made for investing any repayments of the Loan Facility and/or hedging the Loan Facility for the Term.

11. CONDITIONS PRECEDENT

- 11.1 The Borrower shall only be entitled to drawdown the Limit or each Loan if all of the following conditions precedent are fulfilled or waived by the Bank, which conditions precedent shall be fulfilled or waived by no later than close of business on the 90th (ninetieth) day after the Signature Date:
- 11.1.1 that the Borrower has undergone the Bank's Know Your Customer (KYC) process pursuant to the provisions of FICA;
- 11.1.2 that the Bank is provided with a copy of this Agreement signed by the accounting officer of the Borrower, accepting the terms and conditions stipulated herein, in accordance with section 46(2)(b) of the MFMA;
- 11.1.3 that the Bank has been provided with the certified copy of the resolution of the Municipal Council, signed by the Mayor, approving the Loan Facility and the agreement(s) relating thereto, in accordance with section 46(2)(a) of the MFMA
- 11.1.4 that the Borrower has provided the Bank with a written disclosure, in form and substance acceptable to the Bank, that the purpose of the Loan Facility is to fund capital expenditure on property, plant or equipment as contemplated in section 46(1)(a) of the MFMA;
- 11.1.5 that the Borrower has provided the Bank with a certified copy of the information statement, in form and substance acceptable to the Bank, signed by the Mayor, prepared in terms of section 46(3) of the MFMA in respect of the Loan Facility;
- 11.1.6 that the Borrower has provided the Bank with a letter of award, in form and substance acceptable to the Bank, in favour of the Bank, in terms of which the Borrower informs the Bank that it has been successful in bidding to provide the Loan Facility;

Financial

- 11.1.7 that the Borrower has provided the Bank with the:
- 11.1.7.1 signed audited financial statements for the preceding 3 (three) financial years, together with an indication whether the audit deadline referred to in section 126 of the MFMA has been met;
- 11.1.7.2 approved annual budget;
- 11.1.7.3 integrated development plan or multi-year business plan referred to in section 87(5)(d) of the MFMA, if applicable;
- 11.1.7.4 repayment schedules pertaining to its existing short-term and long-term debt;
- 11.1.7.5 the audit report prepared by the Auditor General in terms of section 126(3) of the MFMA in respect of the 2021 financial statements;
- 11.1.8 if applicable, that the Borrower has provided the Bank with a copy of the adjustments budget tabled in terms of the MFMA and that the Bank is satisfied as to the manner in which the Loan Facility has been dealt with in such adjustment budget;

- 11.1.9 that the Borrower has provided the Bank with written confirmation (in a form and substance acceptable to the Bank) from the Accounting Officer or any other duly authorised representative of the Borrower confirming:
- 11.1.9.1 that the Borrower is not in breach of any material contracts to which the Borrower is a party; and
- 11.1.9.2 the absence of any material pending (which has a reasonable prospect of occurring) industrial action; litigation, investigation or proceeding against the Borrower; and
- 11.1.9.3 that there has been no material deterioration in the financial position of the Borrower between the date of acceptance of this Agreement and the date of the first drawdown under the Loan Facility;
- 11.1.10 that, in the Bank's opinion, there has been no material deterioration in the financial position of the Borrower between the Signature Date and the date of first drawdown of the Loan Facility by the Borrower.
- 11.2 The above conditions precedent are inserted for the benefit of the Bank, which may in writing on or before the dates for fulfilment of the conditions set out in clause 11.1, extend the period for fulfilment or waive any of the said conditions precedent in its sole discretion. Unless and until the above conditions precedent are either waived or fulfilled, the Borrower shall not be entitled to drawdown the Limit or any Loan referred to in clause 6.
- 11.3 Notwithstanding any provision to the contrary, if the Bank, in the erroneous belief that all the conditions precedent have been fulfilled or waived (as the case may be), makes any advances or any portion of the Limit (Advanced Amount) available to the Borrower and if it subsequently transpires that any one (or more) of the conditions precedent has in fact not been fulfilled or waived (as the case may be):
- 11.3.1 the terms and conditions of this Agreement shall apply in respect of the amount of the Advanced Amount (subject to clauses 11.3.2 and 11.3.3);
- 11.3.2 the Bank shall be entitled to declare the amount of the Advanced Amount to be immediately due and payable by the Borrower to the Bank; and
- 11.3.3 the Bank shall not be obliged to make any further advances to the Borrower.

12. ONGOING CONDITIONS AND FINANCIAL COVENANTS

12.1 Financial covenants

The Borrower undertakes that during the Term it shall maintain the following financial covenants the breach of which shall constitute an event of default, based on the financial information in the most recent management accounts and/or draft financial statements and/or audited financial statements (as the case may be): The financial covenants will also be measured on a rolling bi-annual basis, for the periods ending on the last day of December of each year as opposed to each financial year or part thereof:

- 12.1.1 **Debt to Revenue Ratio** to be maintained at a level that is less than or equal to 50% (fifty percent) of revenue. For purposes of this clause "Revenue" includes billings and all other income and grants received by or accruing to the Borrower and "Debt" shall mean the aggregate of moneys borrowed (both long and short term).
- 12.1.2 **Billings to Collections rate** to be maintained at a level that is greater than or equal to 85% (eighty five percent). For purposes of this clause, "Collections" shall mean the amount received by the Borrower from its debtors and "Billings" shall mean the aggregate amount in respect of accounts rendered by the Borrower for assessment rates, services and consumption charges and other regulated municipal imposts and levies.
- 12.1.3 **Interest paid to total costs** to be maintained at a level that is less than or equal to 7.5% (seven point five percent) of total expenditure.
- 12.1.4 **Debt Service Cover Ratio** to be maintained at a level that is greater than or equal to 1.0 times, calculated the sum of net cash from operating activities plus finance charges incurred less capital grant funding received to cover the sum of capital redemption and interest paid on interest bearing debt.

12.2 Compliance certificate

The Borrower undertakes that during the Term it shall provide the Bank with a certificate signed by the accounting officer of the Borrower (in the format as agreed between the Parties from time to time) stipulating that the Borrower has complied with the financial covenants applicable in terms of this Agreement and the calculations used by the Borrower in calculating same, by no later than 25 (twenty five) Business Days from the end of the period to which it relates.

12.3 Signing Authorities

In the event of there being any variation in the signing authorities during the Term, the Borrower is then to furnish the Bank with written resolution and amended mandate instructions timeously.

12.4 Management Accounts

The Borrower undertakes that during the Term it shall provide the Bank with the management accounts of the Borrower (in the format as agreed between the Parties from time to time) by no later than 25 (twenty five) Business Days after the end of the Calendar Month to which they relate and which management accounts shall not differ materially from the signed financial statements (prepared in compliance with the relevant Financial Reporting Standard) of the Borrower for the particular year.

12.5 Financial Statements

12.5.1 The Borrower shall furnish the Bank with signed copies of the audited annual financial statements of the Borrower annually within a period of 180 (one hundred and eighty) days from the date that they are due in terms of the MFMA together with any other information as the Bank may reasonably require.

12.5.2 The draft audited annual financial statements submitted to the Bank shall not differ materially from the signed audited annual financial statements in respect of the previous financial year.

12.6 Notification of event of default

The Borrower hereby undertakes to the Bank that it will advise the Bank immediately on becoming aware of the occurrence of an event of default or of any circumstances that could potentially result in an event of default as contemplated in clause 14.

12.7 Reporting Requirements

While the Loan Facility remains available or any amount or commitment remains outstanding to the Bank the following conditions shall apply, the Borrower shall:

12.7.1 provide the Bank with information relating to its draft budgets, approved budgets, adjustment budgets as well as a copy of the bi-annual reports required in terms of the MFMA within 5 (five) days of such information being due in terms of the MFMA for a particular period;

12.7.2 inform the Bank, as soon as possible after identification of any financial problems facing the Borrower, including any emerging or impending financial problems in terms of the provisions of section 54 of the MFMA that could reasonably be expected to affect the Borrower's ability to repay any amounts outstanding under the Loan Facility; and

12.7.3 provide the Bank with confirmation, if requested by the Bank, in form and substance acceptable to the Bank, that it submits to its mayor and the Provincial Treasury the monthly reports required in terms of section 71 of the MFMA within 10 (ten) days after the month to which they relate.

12.8 Annual Review

1) The Loan Facility is subject to annual review by the Bank, with the first annual review falling due by 30 June 2022 and annually thereafter in light of the following information:

12.8.1.1 annual audit report required in terms of the MFMA;

12.8.1.2 audited annual financial statements;

12.8.1.3 approved annual budget;

12.8.1.4 annual revised integrated development plan; and

12.8.1.5 repayment schedules pertaining to the Borrower's existing short-term and long-term debt.

12.8.2 The above information must be given to the Bank before the review date. In the event of a delay in receipt of this information, the Bank may reduce or restructure the Loan Facility until such time as such required information has been received and the review undertaken.

12.8.3 Without limitation to the Bank's other rights under this Agreement, the Bank reserves the right to reassess and to renegotiate the Loan Facility in the event of there being any change in the:

12.8.3.1 management and/or legislated governance of the local authority;

12.8.3.2 overall structure of the local authority;

12.8.3.3 structure of revenue streams; or

12.8.3.4 any deterioration in the Borrower's financial position; or

12.8.3.5 an existing or pending material (which has a reasonable prospect of occurring) Industrial action, litigation, investigation or proceeding against the Borrower.

13. EVENTS OF DEFAULT

- 13.1 An event of default will occur if:
- 13.1.1 the Borrower fails to pay any sum due and payable by it to the Bank in terms of this Agreement;
 - 13.1.2 the Borrower commits a breach of any of the other terms and conditions of this Agreement, and such breach is not remedied within a period of 14 (fourteen) days of written notice having been given to the Borrower to do so;
 - 13.1.3 the Borrower or any Collateral Provider commits a breach of any of the terms and conditions of any Collateral and such breach is not remedied within a period of 14 (fourteen) days' of written notice having been given to the Borrower to do so;
 - 13.1.4 the Borrower ceases to carry on its business in a normal and regular manner;
 - 13.1.5 the Borrower defaults in the due payment of any amount falling due for payment under any suretyship or guarantee to which it is a party;
 - 13.1.6 the Borrower suffers any default judgment against it which remains unsatisfied for 21 (twenty one) days, or is refused a rescission of any default judgment;
 - 13.1.7 the Borrower permits any of its assets to be attached under a warrant of execution which is not set aside within a period of 21 (twenty one) days after service thereof on the Borrower;
 - 13.1.8 the Borrower defaults in the due and punctual performance under any other agreement including but not limited to any other agreement concluded between the Borrower and a third party or any other loan/credit facility between the Borrower and the Bank and (if such default is capable of being remedied) same has not been remedied to the satisfaction of the Bank within 14 (fourteen) days' from the date of any written notice given by the Bank to the Borrower to remedy the default;
 - 13.1.9 the Borrower meets the conditions of a mandatory provincial intervention (as contemplated in section 139 and 140 of the MFMA);
 - 13.1.10 any representation, or warranty or undertaking made either in respect of the Borrower or in connection with this Agreement or in any documents delivered under this Agreement, is not complied with or is materially incorrect in any respect;
 - 13.1.11 the Borrower's auditors in any financial statements of the Borrower published after the date of the last set of financial statements furnished to the Bank or if none have been so furnished, after the Signature Date, materially qualifies that annual statement in any respect, or inserts a note in the supporting documents to that financial statement relating to any material irregularity;
 - 13.1.12 there is a material deterioration in the Borrower's financial position;
 - 13.1.13 the whole or any part of the Collateral furnished is judicially attached, or becomes subject to any lien, hypothec or other encumbrance without the Bank's prior written consent;
 - 13.1.14 the Borrower is unable to pay its debts, suspends or threatens to suspend payment of all or a material part of (or of a particular type of) its indebtedness to any other creditors, commences negotiations or takes any other step with the view to the deferral, rescheduling or other re-adjustment of all of (or all of a particular type of) its indebtedness to creditors (or of any part of such indebtedness which it will or might otherwise be unable to pay when due), proposes or makes a general assignment or an arrangement or composition with or for the benefit of its creditors or a moratorium is agreed or declared in respect of or affecting all or a part of the indebtedness of the Borrower;
 - 13.1.15 if the Loan Facility and/or charges related to or associated with the Loan Facility is not budgeted for in the Borrower's budget in any particular year;
 - 13.1.16 if the Borrower becomes aware of any over expenditure or potential over expenditure in respect of its budget or adjustments budget;
 - 13.1.17 if the payment of all amounts under the Loan Facility/and or charges is not retrospectively approved by means of an adjustments budget within the prescribed time period in terms of the MFMA; or
 - 13.1.18 if there is at any time a change in the demarcation of the area falling within the jurisdiction of the Borrower as at the Signature Date;
 - 13.1.19 if at any time after the Signature Date there is any change in (including but not limited to repeal of legislation) or addition to, the legislation to which the Borrower is subject and which in the reasonable

- opinion of the Bank could be expected to adversely affect the ability of the Borrower to comply with any of its obligations hereunder;
- 13.1.20 if the Borrower defaults in the due payment or due performance of any amount payable or obligation to be performed under any agreement, which amount or which obligation the Bank considers to be material in its reasonable opinion;
- 13.1.21 if any material indebtedness or obligation for monies borrowed constituting indebtedness of the Borrower shall become due and payable prior to its specified maturity by reason of default, or shall not be paid when due;
- 13.1.22 any Collateral Provider who may have provided additional Collateral for, the whole or part of the indebtedness commits any act, or omits to do anything, referred to in this clause 13 or if any of the events referred to in this clause 13 occurs in respect of any such person, or in relation to that person's own affairs;
- 13.1.23 a Material Adverse Event occurs;
- 13.1.24 the Borrower generally does or omits to do anything which may cause the Bank to suffer any loss or damage;
- 13.1.25 the Borrower or any Collateral Provider becomes or is, in the opinion of the Bank, likely to become Sanctioned, or the Bank in any way knows or suspects that the Borrower's Loan Account (or any other bank accounts held with the Bank) is being used fraudulently, negligently, for illegal or terrorist activities, or for any purpose that does not comply with the law or the Borrower is involved in any illegal or terrorist activities.
- 13.2 The Bank, may without prejudice to any other rights hereunder or at law, at any time after the happening of an event of default, by written notice to the Borrower:
- 13.2.1 decline any request by the Borrower to drawdown any further monies under the Limit and cancel the Limit forthwith;
- 13.2.2 require immediate repayment all the Indebtedness, which Indebtedness shall become immediately become due, owing and payable;
- 13.2.3 require immediate payment of all "breakage costs" being all costs, charges, expenses, losses or reduced receipts which the Bank may have sustained or incurred in relation to the termination or modification of any arrangements the Bank may have made on account of or in respect of funds borrowed, contracted for or utilized to fund any amount payable or advanced under the Loan Facility; or
- 13.2.4 increase the rate of interest charged.
- 13.3 The Bank's rights under this clause shall not be exhaustive but shall be in addition to and without prejudice to any other rights which it may have under this Agreement or the law.
- 13.4 If any of the events specified in clause 13.1 (other than in clause 13.1.2 become applicable in respect of any Collateral Provider (and for such purpose, a reference to "Borrower" in clause 13 shall be read and construed as a reference to such person), then, on the occurrence of such event, an event of default shall be deemed to have taken place for the purposes of this Agreement thereby entitling the Bank to avail itself of the remedies specified in clause 13.2.
- 13.5 **Penalty interest**
- At any time after the occurrence of an event of default set out in clause 13.1 above or otherwise as contemplated in this Agreement, the Bank shall be entitled, but not be obliged, in respect of any amount falling due or payable to the Bank, to increase the interest rate in clause 7.1 by a rate of 2.5% (two point five percent) per annum on such overdue amount (compounded monthly from the due date to the date of payment to the Bank), without prejudice to any rights which the Bank may otherwise have as a result of that event of default.

14. REPRESENTATIONS AND WARRANTIES AND UNDERTAKINGS

The Borrower represents and warrants to the Bank that as at the Signature Date and for the Term, that:

- 14.1 it is a Municipality duly constituted and existing under the laws of South Africa;
- 14.2 it has full power to enter into and perform in terms of this Agreement and has taken all necessary corporate, regulatory and other actions to authorise the borrowings hereunder;
- 14.3 the execution, delivery and performance of any agreements applicable to the Loan Facility do not violate any law, including the MFMA;
- 14.4 it has complied with all the provisions of the MFMA in relation to the Loan Facility and undertakes that it will continue to do so for the currency of the Loan Facility;

- 14.5 it has disclosed all guarantees, suretyships and other off-balance sheet items to the Bank;
- 14.6 its annual budget as well as its approved annual budget contains all of the information referred to in section 17 of the MFMA;
- 14.7 there are no circumstances resulting in a Material Adverse Event, and in the reasonably exercised opinion of the Borrower no such circumstances are likely to arise;
- 14.8 it is not in breach of any law applicable to it, nor in breach of any material contract by which it is bound, or to which it is a party, and in its reasonably exercised opinion, no such breach is likely to occur or arise;
- 14.9 the terms of this Agreement do not conflict with and do not constitute a breach of the terms of any other agreement or undertaking or act or legislation that is binding on the Borrower;
- 14.10 there is no material industrial action or litigation or similar proceedings, to the knowledge of the Borrower, presently pending or threatened which would result in a Material Adverse Event;
- 14.11 no event of default specified in clause 13.1 has occurred and is continuing;
- 14.12 the Loan Facility and the charges associated with the Loan Facility have been provided for in an approved budget, which has been properly approved in terms of the MFMA and that payment of the amount of the Loan Facility and any charges associated with the Loan Facility will not result in the total amount of the budget being exceeded. These requirements will be met in future as well;
- 14.13 it will not utilise savings with regards to an unrelated expenditure in a budget to defray any excess expenditure that may be required for satisfying a claim under a loan agreement;
- 14.14 its acceptance in terms of the Loan Facility has been duly authorised and to the best of its knowledge and belief does not contravene any law or any contractual obligation binding upon it;
- 14.15 the terms and conditions applicable to any loans provided by any other long term funders, are not, and shall not, be more favourable than the terms and conditions applicable to the Loan Facility;
- 14.16 the Loan Facility shall be used solely for the purposes set out in clause 6;
- 14.17 all Information supplied or to be supplied to the Bank by the Borrower concerning the Borrower's business as contained in the Borrower's balance sheets, trading and profit and loss accounts, cash flows and other financial statements or accounts, is true and correct in all material respects and will in future be true and correct in all material respects;
- 14.18 the Borrower has, in relation to the conduct of its business, obtained and complied with all the necessary consents, registrations, filings, certificates, licences, approvals, permits and insurances;
- 14.19 there has been no material deterioration in the financial position of the Borrower;
- 14.20 this Agreement constitutes legal, valid, binding and enforceable obligations of the Borrower;
- 14.21 it is in full compliance with all applicable laws, regulations and practices relating to the protection of the environment applicable to it in each jurisdiction in which the Borrower conducts business (its "Environmental Responsibility") and hereby undertakes to continue to do so for so long as the Borrower is indebted to or owes any obligations to the Bank under or in terms of this Agreement;
- 14.22 that it is not aware of any circumstances which may prevent full compliance with its Environmental Responsibility in future;
- 14.23 it will ensure that the Collateral Providers, at all times comply with all legislation and other laws, including anti-money laundering and combating the financing of terrorism regulations;
- 14.24 neither the Borrower nor any of the Collateral Providers are subject to any law prohibiting the borrowing of funds or ownership of the property by non-resident individuals or limiting the borrowing of funds by companies and other entities in which non-residents have a 75% (seventy five percent) or greater interest or, if such law does apply, that the Borrower shall deliver to the Bank before the first advance written evidence to the Bank's satisfaction of the written permission of the exchange control authorities entitling the Borrower to obtain the Loan Facility;
- 14.25 it will not use (or otherwise make available) the proceeds of the Loan Facility for the purposes of financing, directly or indirectly, the activities of any person or entity which is Sanctioned or in a country which is subject to any Sanctions;
- 14.26 it will not contribute or otherwise make available, directly or indirectly, the proceeds of the Loan Facility to any other person or entity if such party uses or intends to use such proceeds for the purpose of financing the activities of any person or entity which is subject to any Sanctions;

- 14.27 it is not involved in any illegal or terrorist activities; and
- 14.28 none of the bank accounts held by the Borrower with the Bank are being used fraudulently, negligently, for illegal or terrorist activities, or for any purpose that does not comply with any law.

15. INDEMNITIES

- 15.1 The Borrower hereby indemnifies the Bank against any loss, damage, claims, costs, charges, expenses or any other liability, which may arise (because of this or any other banking facility or the Bank having an interest in the Borrower's assets) in respect of a breach of, or a failure, by the Borrower to meet its Environmental Responsibility.
- 15.2 The Borrower hereby indemnifies and holds the Bank harmless against any actions, proceedings, claims or demands that may be brought against the Bank and all losses, damages, costs, charges and expenses which the Bank may incur or sustain, in connection with or arising out of:
- 15.2.1 the seizure, blocking or withholding of any funds by any Sanctioning Body; and
- 15.2.2 the breach of any warranties as set out in clause 14.
- 15.3 The Borrower shall be bound by all instructions transmitted by it to the Bank by facsimile transceiver or by means of an e-mail message, and hereby waives any rights it may have or obtain against the Bank arising directly or indirectly from any losses or damages which the Borrower may suffer as a result of the Bank acting on any purported faxed or e-mailed instruction. The Borrower further indemnifies the Bank in respect of any claims, demands or actions made against the Bank or losses or damages suffered by the Bank as a result of the Bank acting on the said faxed or e-mailed instruction.

16. CHANGE(S) IN CIRCUMSTANCES

- 16.1 If at any time or times during the Term there is:
- 16.1.1 any change in or introduction of any law, regulation, ruling, directive, policy, requirement, request or guidelines (whether or not having the force of law) or any other similar event with which the Bank or any of its divisions is obliged to comply or which is in accordance with the practice of a responsible banker, or any interpretation or administration thereof,
- without derogating from the generality of the foregoing:
- 16.1.2 any change in banking practice, as it affects or is applied generally by any financial institution in South Africa;
- 16.1.3 a requirement or a request by any authority, to pay taxes or other amounts whatsoever or to maintain special deposits or reserve assets;
- 16.1.4 any compliance by the Bank with any reserve, cash ratio, special deposit or liquidity requirements (or any other similar requirements) in respect of the Loan Facility;
- 16.1.5 any compliance with or application of (whether mandatory or not) any capital adequacy or similar requirements, including but not limited to the provisions of the International Convergence of Capital Measurement and Capital Standards (a revised framework) (i.e. BASEL II) or any other standards or guidelines published by the Basel Committee on Banking Supervision (including BASEL III) by the Bank or any of its divisions, or any interpretation or administration thereof, results in any increase in the Bank's costs in providing the Loan Facility to the Borrower;
- 16.1.6 any change to any present or future law, ruling or regulation;
- 16.1.7 any change in the interpretation or administration of any law, ruling or regulation by any relevant monetary or fiscal authority;
- 16.1.8 any amendment to the Banks Act, 94 of 1990; or
- 16.1.9 any compliance by the Bank with any directive or request, whether or not having the force of law, from any monetary or fiscal authority;
- which would or does:
- 16.1.10 subject the Bank to any taxes, duties, or other charges in respect of the Loan Facility or change the basis of taxation of the Bank in respect of payments of principal or interest/fees payable to the Bank (except for changes in the rate of taxation on the overall net income of the Bank);
- 16.1.11 impose, modify or deem applicable any reserve, special deposit or similar requirement against assets of, deposits with or for the account of, or credit extended by the Bank; or

- 16.1.12 Impose on the Bank any other obligation or condition affecting the Loan Facility or its commitment in terms of this Agreement,

and the result of any of the above is to increase the cost to the Bank of making any advance or maintaining the Loan Facility or to reduce any amount or amounts received or receivable or loanable by the Bank hereunder by a material sum, then the Borrower shall pay to the Bank on demand and while such circumstances continue, such fee as the Bank may impose or such additional amount or amounts which will compensate the Bank for such additional cost or reduced receipts.

- 16.2 The Bank shall give the Borrower 30 (thirty) days' written notice of all amounts payable in terms of clause 16.1. A certificate signed by any manager or divisional head of the Bank (whose appointment it shall not be necessary to prove) as to such additional amount/s shall be prima facie proof for all purposes in the absence of manifest error.
- 16.3 If the Borrower is required to pay additional amount/s to the Bank pursuant to clause 16.1, it shall be entitled to prepay any amounts owed in terms hereof without penalty, or to forthwith cancel any unutilised portion of the Loan Facility by giving the Bank 30 (thirty) days' written notice thereof.
- 16.4 Without detracting from any other rights that the Bank may have, the Borrower furthermore acknowledges that the Bank has approved and is providing the Loan Facility based on the present circumstances of the Borrower and the industry and environment within which it operates. The Borrower understands and agrees that certain circumstances, including but not limited to those circumstances set out in clause 16.1.1, may arise that would have the effect of materially altering the basis on which said Loan Facility was/is given. Should any event or series of events accordingly occur which, in the reasonable opinion of the Bank have or may be expected to have an adverse effect on the ability of the Borrower to comply with its obligations hereunder the Bank shall, by giving reasonable written notice, have the right to change the terms of the Loan Facility with the Borrower. Should the new terms on which the Bank is prepared to continue to make the Loan Facility available not be acceptable to the Borrower, all outstanding amounts will, without further notice, immediately become due and payable and the Borrower, or any other entities indebted in terms of the Loan Facility will immediately effect payment of such outstanding amounts.

17. CERTIFICATE OF INDEBTEDNESS

A certificate signed by any manager or business unit head of the Bank (whose authority, qualification or appointment need not be proved) setting out the amount of any indebtedness of the Borrower to the Bank in terms hereof, the rates of interest and any other fact, shall, on its mere presentation, be sufficient proof, unless the contrary is proved, of the indebtedness and of such other facts contained therein.

18. GENERAL TERMS

18.1 Matters requiring the Bank's consent

The Borrower may not without the Bank's prior written consent, which shall not be unreasonably withheld:

- 18.1.1 cease carrying on business;
- 18.1.2 change the nature of its business;
- 18.1.3 become surety, guarantor for or give any indemnity on behalf of any third party whomsoever or render itself liable in any way whatsoever for the debts or engagements of any other party, other than encumbrances as agreed to by the Bank;
- 18.1.4 pledge, cede, mortgage, hypothecate or otherwise encumber or further encumber any of its movable or immovable assets to secure any liability of any nature;
- 18.1.5 sell or otherwise dispose of or attempt to sell or dispose of any of its assets except in the ordinary course of its business;
- 18.1.6 incur any further borrowings, including but not limited to guarantees provided, other than permitted indebtedness as agreed to by the Bank. This restriction shall include off-balance sheet commitments;
- 18.1.7 advance credit to third parties other than in the ordinary course of business; and/or
- 18.1.8 make material changes to the accounting policies, standards or conventions of the Borrower or any Collateral Provider.

18.2 Legal Charges

- 18.2.1 Each Party shall bear its own costs and expenses of and incidental to the negotiation, preparation and completion of this Agreement.
- 18.2.2 All legal costs (on the attorney and own client scale), commissions or fees and other charges and expenses in connection with this Agreement including but not limited to all costs incurred by the Bank in the

enforcement of any of its rights hereunder, the preparation of any documentation relating hereto, the registration and eventual cancellation of any bonds referred to herein, and the premiums on the insurance policies which may be ceded in security to the Bank, will be for the account of the Borrower and payable on demand.

18.3 Fees and Charges

- 18.3.1 The Bank may charge and recover fees and charges in respect of this Agreement.
- 18.3.2 All fees and charges will be debited to the account nominated by the Borrower for this purpose.
- 18.3.3 Where there is a change in the frequency or time for payment of a fee or charge, the Bank will give the Borrower written notice setting out the particulars of the change.
- 18.3.4 The Borrower must pay to the Bank all applicable fees and charges set out in this Agreement.
- 18.3.5 The Bank may charge and recover from the Borrower interest on and in respect of any unpaid fees and charges referred to in this Agreement.
- 18.3.6 The fees and charges applicable will be set out in the Bank's annual pricing schedule (amended from time to time) which will be issued to the Borrower or available on the Bank's website www.standardbank.co.za.
- 18.3.7 The Bank reserves the right to charge separate fees for any indulgences granted, or additional services provided by the Bank in connection with this Agreement. The Bank shall advise the Borrower in writing of these fees, as well as the payment terms associated therewith.

18.4 Free of Deduction

All amounts paid to the Bank under this Agreement shall be made free of deduction or set-off. Should the Borrower be compelled by law to withhold or deduct any taxes or other charges from any amounts payable to the Bank, the amounts payable to the Bank shall be increased to the extent necessary to ensure that the Bank receives the amounts payable, free of such withholding or deduction.

18.5 Allocation of Payments

The Bank will be entitled to allocate any payments received under this Agreement to any indebtedness of the Borrower to the Bank and the Borrower waives any rights it may have to name the debt in respect of which payment is made.

18.6 Set-off and Realisation

Should the Bank demand repayment in accordance with clause 8, or the Borrower commit an event of default as set out in clause 13.1 or elsewhere in this Agreement and the Bank exercises its rights in terms of the provisions of clause 13.2, the Bank may in addition to any rights the Bank has and to the extent that it may be lawful:

- 18.6.1 set-off any credit balances held in any other account which the Borrower has with the Bank whether due and payable or not, against the Indebtedness; or
- 18.6.2 realise any Collateral held by the Bank and use the proceeds in payment of the Indebtedness, on written notice to the Borrower.

18.7 Collateral

On the incurrence of an event of default in clause 13.1 or elsewhere in this Agreement, or if the value of any Collateral held by the Bank to secure the Indebtedness is no longer adequate, or if in the opinion of the Bank the Borrower's account conduct increases the Bank's risk regarding the Indebtedness or any other amount owing to the Bank by the Borrower in terms of any other agreement, the Bank shall have the right to:

- 18.7.1 request the Borrower to provide the Bank with additional Collateral to secure repayment of the Indebtedness;
- 18.7.2 reduce the Limit;
- 18.7.3 require repayment of all or some of the Loan Facility; and/or
- 18.7.4 increase the interest rate in accordance with the provisions of clause 13.5.

18.8 Renunciation of benefits

The Borrower hereby renounces the benefits of the following legal defences to any claim brought by the Bank:

- 18.8.1 the Borrower has received no value for its obligations to the Bank;
- 18.8.2 no money has been paid to the Borrower;

- 18.8.3 there is no underlying cause for the Borrower's obligation to the Bank; and
- 18.8.4 the Bank made an error in calculating the Indebtedness. The Bank will revise its accounts in respect of the Indebtedness if they are incorrect.
- 18.9 Whole Agreement, Variation of Terms**
- 18.9.1 This Agreement by the Borrower and the Bank shall constitute the whole agreement between the Bank and the Borrower relating to the subject matter hereof.
- 18.9.2 No addition to, variation, or amendment, or consensual cancellation of any of the terms contained in this Agreement, shall be of any force or effect unless it is recorded in writing and is signed on behalf of the Bank by one of its authorised officials and accepted by the Borrower. This requirement will only be satisfied if such amendment or variation is made in a written, paper based form. The provisions of the Electronic Communications and Transactions Act, 25 of 2002 do not apply to this clause.
- 18.10 Illegality**
- If at any time after the Signature Date it is or becomes unlawful in any jurisdiction, or contrary to any lawful and binding request from or requirement of the South African Reserve Bank or other South African governmental department or authority, for the Bank to perform any of its obligations under this Agreement, then the Bank shall promptly after becoming aware of the same notify the Borrower by way of a certificate signed by any manager or divisional head of the Bank (whose authority, qualification or appointment need not be proved) and the Borrower shall repay any and all amounts due under this Agreement as required by law.
- 18.11 No Indulgence**
- 18.11.1 No indulgence shown or extension of time given by the Bank shall operate as an estoppel against the Bank or waiver of any of the Bank's rights unless recorded in writing and signed by the Bank.
- 18.11.2 The Bank shall not be bound by any express or implied term, representation, warranty, promise or the like not recorded herein, whether it induced the conclusion of any agreement created by acceptance of the Loan Facility or whether it was negligent or not.
- 18.12 Good Faith**
- The Parties undertake at all times to do all such reasonable things, perform all such reasonable actions and take all such reasonable steps open to them and necessary for or incidental to the putting into effect or maintenance of the terms, conditions or import of this Agreement, provided that nothing herein shall prevent the Bank from exercising its rights under the Agreement in the event of the occurrence of an event of default.
- 18.13 Severability**
- Each provision of this Agreement is severable, the one from the other and, if at any time any provision is or becomes or is found to be illegal, invalid, defective or unenforceable for any reason by any competent court, the remaining provisions shall be of full force and effect and shall continue to be of full force and effect.
- 18.14 Governing Law**
- The terms of this Agreement shall be governed by and interpreted in accordance with the laws of South Africa.
- 18.15 Domicilium and Notices**
- 18.15.1 The Parties choose as their *domicilium citandi et executandi* (address for the purpose of legal proceedings) their respective addresses set out below, at which addresses all processes and legal notices arising out of or in connection with this Agreement, its breach or termination may validly be served on or delivered to the Parties:
- 18.15.1.1 as regards the Bank:
- Attention: Group Governance / Legal
Standard Bank Centre,
9th Floor, Reception 1, 5 Simmonds Street, Johannesburg, 2001
With a copy to be sent to:
Attention: Business Clients : Head Public Sector
7th Floor West Wing, 30 Baker Street, Rosebank, 2196.
Telephone Number: 011 721 7389; and
- 18.15.1.2 as regards the Borrower:

Attention: Municipal Manager

Municipal Building, 1 Magnolia Street, Hermanus, 7200

Telephone Number: 028 313 8003,

or at such other physical address, not being a post office box or *poste restante*, of which the Party concerned may notify the other Party in writing.

18.15.2 Any other written notices in connection with this Agreement shall be addressed as follows:

18.15.2.1 as regards the Bank:

at the address set out in clause 18.15.1.1

Email address: Timothy.Matlala@standardbank.co.za; and

18.15.2.2 as regards the Borrower:

at the address set out in clause 18.15.1.2

Email address: mm@overstrand.gov.za,

or at such other address of which the Party concerned may notify the other in writing.

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

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

18.15.3.2 if delivered by a recognised international courier service, be deemed to have been received by the addressee on the first business day following the date of such delivery by the courier service concerned;

18.15.3.3 if posted by prepaid registered post will be deemed to have been received by the addressee on the 8th (eighth) Business Day following the date of such posting; and

18.15.3.4 if sent electronically, shall be deemed to have been received on the first Business Day following the successful transmission thereof as evidenced by the electronic confirmation of receipt (unless the contrary is proven). It is recorded, for the avoidance of doubt, that a legal notice sent by a Party shall not be regarded as valid legal notice, if sent electronically in terms of this clause 18.15.

18.15.4 Notwithstanding anything to the contrary contained in this Agreement, a written notice or communication actually received by a Party at its chosen address set out above, shall be an adequate written notice of communication to such Party.

18.15.5 Where the post office does not effect street deliveries at the Borrower's Notice Address, the Bank may send any notices in terms of this Agreement to the Borrower's post office box number.

18.16 Counterparts

This Agreement may be signed by the signatories hereto in counterparts and each signed copy shall together constitute one document.

18.17 Cession

18.17.1 The Borrower shall not be entitled to cede or assign its rights or obligations in terms of this Agreement to any party.

18.17.2 The Bank shall, on written notification to the Borrower, be entitled at any time to cede any or all of its rights or delegate any or all of its obligations under or in terms of this Agreement to any party.

18.17.3 To the extent that any cession, assignment or transfer by the Bank of its rights or obligations under or in terms of this Agreement to any party results (whether directly or indirectly) in a splitting of claims against the Borrower, the Borrower hereby irrevocably and unconditionally consents to such splitting of claims.

18.17.4 On cession, assignment or transfer in accordance with the provisions of clause 18.17.2 and without limitation to clause 18.18 the Bank shall be entitled to divulge and disclose such information or documents relating to the Borrower or any of its subsidiaries, which would otherwise be deemed to be confidential, to the cessionary, assignee or transferee as the Bank may deem necessary.

18.18 Data protection

18.18.1 The Borrower consents to the Bank collecting its Personal Information from the Borrower and where lawful and reasonable, from public sources for credit, fraud and compliance purposes as well as and the purposes set out below.

- 18.18.2 If the Borrower gives the Bank Personal Information about or on behalf of another person (including, but not limited to, account signatories, shareholders, principal executive officers, trustees and beneficiaries), the Borrower confirms that it is authorised to: (a) give the Bank the Personal Information; (b) consent on their behalf to the Processing of their Personal Information, specifically any cross-border transfer of Personal Information into and outside the country where the products or services are provided; and (c) receive any privacy notices on their behalf.
- 18.18.3 The Borrower consents to the Bank Processing its Personal Information:
- 18.18.3.1 to provide products and services to the Borrower in terms of this Agreement and any other products and services for which the Borrower may apply;
- 18.18.3.2 to carry out statistical and other analyses to identify potential markets and trends, evaluate and improve our business (this includes improving existing and developing new products and services);
- 18.18.3.3 in countries outside the country where the products or services are provided. These countries may not have the same data protection laws as the country where the products or services are provided. Where the Bank can, the Bank will ask the receiving party to agree to the Bank's privacy policies;
- 18.18.3.4 by sharing the Borrower's Personal Information with the Bank's third-party service providers, and insurers, locally and outside the country where the products or services are provided. The Bank asks people who provide services to the Bank, including its insurers, to agree to the Bank's privacy policies if they need access to any Personal Information to carry out their obligations;
- 18.18.3.5 within the Group.
- 18.18.4 The Borrower consents to the Bank disclosing its Personal Information to Collateral Providers.
- 18.18.5 The Borrower will find the Bank's Processing practices in the Group and the Bank's privacy statements. These statements are available on the Group's websites or on request.
- 18.18.6 If the Borrower is unsure about its tax or legal position because the Borrower's Personal Information is Processed in countries other than where the Borrower lives or conducts business, the Borrower should get independent advice.
- 18.19 Recordal of Conversations**
- The Borrower agrees that the Bank may record telephone conversations with the Borrower's representative for the purpose of creating a record of the Borrower's instructions or requests given telephonically by the Borrower to the Bank.
- 18.20 Independent Advice**
- 18.20.1 The Borrower acknowledges and agrees that it has not relied in any way on any information or advice given by the Bank in preparation, negotiation or implementation of this Agreement and that it has taken all reasonable actions to satisfy itself as to the consequences of entering into this Agreement.
- 18.20.2 The Borrower further acknowledges that:
- 18.20.2.1 the Bank does not provide any tax advice. The Borrower is responsible for any tax consequences associated with any account the Borrower has with the Bank;
- 18.20.2.2 it has been free to secure independent legal and other advice as to the nature and effect of all the provisions of this Agreement, and that it has taken such independent legal and other advice or dispensed with the necessity of doing so; and
- 18.20.2.3 all of the provisions of this Agreement, and the restrictions herein contained, are fair and reasonable in all the circumstances and are part of the overall intention of the Parties in connection with this Agreement.

D19/20

SIGNED AT _____ ON THE _____ DAY OF _____ 2021

NOT FOR SIGNATURE

Signature

NOT FOR SIGNATURE

Full Names

NOT FOR SIGNATURE

Designation

For and on behalf of:
THE STANDARD BANK OF SOUTH AFRICA LIMITED
Who warrants his/her authority hereto

As witnesses:

1 _____ Full names: _____
ID number: _____

2 _____ Full names: _____
ID number: _____

SIGNED AT _____ ON THE _____ DAY OF _____ 2021

NOT FOR SIGNATURE

Signature

NOT FOR SIGNATURE

Full Names

NOT FOR SIGNATURE

Designation

For and on behalf of:
OVERSTRAND MUNICIPALITY
Who warrants his/her authority hereto

As witnesses:

1 _____ Full names: _____
ID number: _____

2 _____ Full names: _____
ID number: _____

ANNEXURE A

NOTICE OF DRAWDOWN

TO BE TYPED ON THE BORROWER'S LETTERHEAD

Addressed to:

The Manager
The Standard Bank of South Africa Limited
Attention:

Date:

Dear Sir/Madam

Notice of drawdown

1. Overstrand Municipality (Borrower) hereby requests drawdown of R (..... Rand) (Drawdown Amount) under the loan facility on the 2nd (second) Business Day after the Business Day on which this drawdown notice is received by The Standard Bank of South Africa Limited (Registration number: 1962/000738/06), ("Bank") pursuant to the provisions of clause 6.1 of the Term Loan Agreement concluded between the Bank and the Borrower on _____.
2. Please credit the Drawdown Amount to the Borrower's current account number _____ held in the books of the Bank's _____ branch.

Yours sincerely

NOT FOR SIGNATURE

For: Overstrand Municipality

Full name of signatory: _____

Capacity of signatory: _____

Date of authorising resolution: _____