

## **CITY OF TSHWANE LONG TERM DEBT COVENANTS**

### **Prohibition of capital projects asset disposals**

Disposal of capital project assets financed by the borrowings is prohibited

### **Acquisition of assets**

Only assets approved for acquisition in the capital projects budget in terms of the provisions of the MFMA and other applicable legislation

### **EVENTS OF DEFAULT**

Each of the following events or circumstances is an Event of Default —

#### **Non-Payment**

The Borrower fails to pay any amount due by it in terms of this Agreement on the due date for payment therefore, unless the failure to pay is solely due to technical or administrative reasons and the relevant amount is duly paid within 3 (three) Business Days of its due date.

#### **Misrepresentation**

A representation, warranty, statement made or deemed to be made or repeated, or undertaking given in connection with this Agreement or in any document delivered by or on behalf of the Borrower under or in connection with this Agreement, is or proves to have been Incorrect or misleading in any material respect when made or deemed to be made or repeated or given.

#### **Serious Financial Problems**

Any one or more of the factors contained in sections 138 and 140 of the MFMA, indicating serious financial problems and/or persistent material breach of financial commitments, occurs in relation to the Borrower.

#### **Provincial Intervention**

Steps are taken to bring about a provincial intervention in relation to the Borrower, whether or not discretionary or mandatory, as contemplated in Chapter 13 of the MFMA.

#### **Financial Recovery Plan**

A financial recovery plan, as contemplated in Chapter 13 of the MFMA, is in relation to the Borrower.

#### **Stay of Legal Proceedings**

If the Borrower applies for an order to stay legal proceedings and/or for extraordinary relief, as contemplated in Chapter 13 of the MFMA.

#### **Material Adverse Change**

Any event (or any series of events) or circumstance occurs (or any existing circumstance continued) which the lender reasonably believes is likely to result in a Material Adverse Change.

### **Cessation of Delivery of Minimum Level of Basic Municipal Services**

The Borrower becomes unable or ceases, for any reason whatsoever, to deliver a minimum level of Basic Municipal Services, or any material part thereof, as contemplated in section 73(1)(c) of the Local Government: Municipal Systems Act, No. 32 of 2000, in an ordinary and regular manner.

### **Repudiation**

The Borrower repudiates this Agreement or does or causes to be done any act or thing evidencing an intention to repudiate this Agreement.

### **Cross Default**

Any material Indebtedness or obligation or any loan, debt or guarantee constituting Indebtedness of the Borrower becomes due and payable prior to its specified maturity by reason of default, or is not paid when due, whether or not The lender is concerned therewith or any creditor of the Borrower becomes entitled to declare any Indebtedness due and payable prior to its specified maturity.

### **Judgements**

Any material judgement of any court , which for purposes of this clause shall mean a judgement in excess of R25,000,000.00 (twenty-five million Rand), or arbitration awarded against the Borrower, respectively, remains unsatisfied for a period of 30 (thirty) Business Days *after* it has been granted against the Borrower, respectively, and has not been the subject of an application for rescission or review or appealed against, within the period allowed for such rescission, review or appeal, which in each instance is diligently pursued and, in the event of such application, review or appeal being unsuccessful, the Borrower, respectively, fail to make immediate payment thereof.

### **Unlawfulness**

It be or becomes unlawful for the Borrower to perform or comply with any or all of their obligations under the loan agreement or any of the obligations of the Borrower not be or cease to be legal, valid, binding and enforceable.

### **Adverse Determination by the Auditor General**

If the Auditor General or its successor after performing its audit on the Borrower raises a going concern issue with regard to the affairs of the Borrower.

---

### **Costs indemnification**

Without prejudice to the other remedies of the lender under this Agreement and/or in law, the Borrower hereby irrevocably indemnifies and holds the lender harmless against any costs, claim, loss, expense (including legal fees on the scale as between attorney and own client) or liability, together with any VAT thereon, which may be suffered or incurred by the lender as a result of the occurrence of any Event of Default.

### **Submission of Annual Financial Statements**

The borrower undertakes to submit audited annual financial statements within 180 days after the close its financial year.

**Lender's written** consent to be obtained first if borrower seeks to take up any additional debt if the *total debt to revenue ratio* will exceed 50%.

**Borrower** to maintain a **Debt Service Coverage Ratio of 1, 3 times** at any point for the loan duration.

**Litigation:** borrower is not presently involved in any litigation, arbitration or administrative proceeding and, to the knowledge of the borrower, no litigation, arbitration or administration proceeding is pending or threatened

**Cost coverage** of borrower to be greater than 1 times at all times during the currency of the loan.

No **encumbrances** over assets financed by the borrowings.