



EKURHULENI METROPOLITAN MUNICIPALITY

ZAR4 000 000 000 Domestic Medium Term Note Programme

Under this Domestic Medium Term Note Programme (the “**Programme**”), the Ekurhuleni Metropolitan Municipality (the “**Issuer**” or “**EMM**”) may from time to time issue notes (the “**Notes**”) denominated in South African Rand subject to the terms and conditions (the “**Terms and Conditions**”) described in this Programme Memorandum. Any other terms and conditions not contained in the Terms and Conditions which are applicable to any Notes will be set forth in a pricing supplement (the “**Applicable Pricing Supplement**”) issued in relation to such Notes. Details of Notes to be issued, including the aggregate nominal amount of such Notes, interest (if any) payable in respect of such Notes and the issue price of such Notes will also be set forth in the Applicable Pricing Supplement. The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed ZAR4 000 000 000 or such other limit as may apply to the Programme from time to time.

The Programme has been approved by the JSE Limited, a licensed financial exchange in terms of the Securities Services Act, 2004 (“**the JSE**”). Notes may be listed on the Bond Market of the JSE, or any successor exchange or on such other or further exchange as may be determined by the Issuer and subject to any applicable law. Unlisted Notes may also be issued under this Programme. With respect to Notes to be listed on the JSE, the Applicable Pricing Supplement will be delivered to the JSE and the Central Securities Depository (defined under the section entitled “*Terms and Conditions of the Notes*”) before the date of issue of such Notes and the Notes may be traded by or through members of the JSE from the date specified in the Applicable Pricing Supplement.

The Notes may be issued on a continuing basis and be placed by one or more of the dealers specified under the section entitled “*Summary of the Programme*” and any additional dealer appointed under the Programme from time to time, which appointment may be for a specific issue or on an ongoing basis (each a “**Dealer**” and together the “**Dealers**”).

The Issuer has, at the date of this Programme Memorandum, been assigned a credit rating of Aa2.za by Moody’s Investors Service South Africa (Proprietary) Limited (“**Moody’s**”) and of AA- by Global Credit Rating Co. (Proprietary) Limited. At the date of this Programme Memorandum, the Programme has been assigned a credit rating of Aa2.za by Moody’s.

The Issuer may agree with any Dealer that Notes may be issued in a form not contemplated by the Terms and Conditions, in which case the Applicable Pricing Supplement issued in relation to such Notes will describe the form of such Notes.

The holders of Notes that are listed on the Bond Market of the JSE may claim against the BESA Guarantee Fund (in accordance with the rules of the BESA Guarantee Fund) only if such Notes are traded by or through members of the JSE in accordance with the rules and operating procedures for the time being of the JSE and the Central Securities Depository. The holders of Notes that are not listed on the Bond Market of the JSE will have no recourse against the JSE or BESA Guarantee Fund even if such Notes are settled through the electronic settlement procedures of the JSE and the Central Securities Depository. Unlisted Notes are not regulated by the JSE.

The Issuer’s obligations in respect of the Notes to be issued under the Programme are unsecured obligations of the Issuer and are not guaranteed.

Arranger

Absa Capital, a division of Absa Bank Limited

A handwritten signature in black ink, appearing to be "Veh" followed by a large, stylized flourish.

Dealer

Absa Capital, a division of Absa Bank Limited

Programme Memorandum dated 23 July 2010

The Issuer accepts full responsibility for the information contained in this Programme Memorandum. To the best of the knowledge and belief of the Issuer (having taken all reasonable care to ensure that such is the case) the information contained in this Programme Memorandum is in accordance with the facts and does not omit anything likely to affect the import of such information.

The Issuer, having made all reasonable enquiries, confirms that this Programme Memorandum contains or incorporates all information which is material in the context of the issue and the offering of Notes, that the information contained or incorporated in this Programme Memorandum is true and accurate in all material respects and is not misleading, that the opinions and the intentions expressed in this Programme Memorandum are honestly held and that there are no other facts the omission of which would make this Programme Memorandum or any of such information or expression of any such opinions or intentions misleading.

This Programme Memorandum is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see section entitled "Documents Incorporated by Reference"). This Programme Memorandum shall be read and construed on the basis that such documents are incorporated into and form part of this Programme Memorandum.

The Arranger, the Dealer, the JSE and other professional advisers have not separately verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility is accepted by the Arranger, the Dealer, the JSE or other professional advisers as to the accuracy or completeness of the information contained in this Programme Memorandum or any other information provided by the Issuer. The Arranger, the Dealer, the JSE and professional advisers do not accept any liability in relation to the information contained in this Programme Memorandum or any other information provided by the Issuer in connection with the Programme.

No person has been authorised to give any information or to make any representation not contained in or not consistent with this Programme Memorandum or any other information supplied in connection with the Programme and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, the Arranger, the Dealer or the JSE.

Neither this Programme Memorandum nor any other information supplied in connection with the Programme is intended to provide a basis for any credit or other evaluation, or should be considered as a recommendation by the Issuer that any recipient of this Programme Memorandum or any other information supplied in connection with the Programme, should purchase any Notes.

Each investor contemplating the purchase of any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. Neither this Programme Memorandum nor any other information supplied in connection with the Programme constitutes an offer or invitation by or on behalf of the Issuer, the Arranger or the Dealer to any person to subscribe for or to purchase any Notes.

Neither the delivery of this Programme Memorandum nor any Applicable Pricing Supplement at any time imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or that any other financial statements or other information supplied in connection with the Programme is correct as at any time subsequent to the date indicated in the document containing the same. Investors should review, among others, the most recent financial statements of the Issuer when deciding whether or not to purchase any Notes.

Neither this Programme Memorandum nor any Applicable Pricing Supplement constitutes an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction.

The distribution of this Programme Memorandum, any Applicable Pricing Supplement and the offer or sale of Notes may be restricted by law in certain jurisdictions. Persons into whose possession this Programme Memorandum, the Applicable Pricing Supplement or any Notes come must inform themselves about, and observe, any such restrictions. In particular, there are restrictions on the distribution of this Programme Memorandum and the offer or sale of Notes in the United States of America, the United Kingdom, the European Economic Area and the Republic of South Africa. None of the Issuer, the Arranger, the Dealer, the JSE or the other professional advisors represent that this Programme Memorandum may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assumes any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Arranger, the Dealer or the professional advisors which would permit a public offering of any Notes or distribution of this document in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Programme Memorandum nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. The Dealer has represented that all the offers and sales by them will be made in compliance with this prohibition.

Notes have not been and will not be registered under the United States Securities Act of 1933 (the "Securities Act"). Notes may not be offered, sold or delivered within the United States of America or to U.S. persons except in accordance with Regulation S under the Securities Act.

All references in this document to "Rand", "ZAR", "South African Rand", "R" and "cent" refer to the currency of the Republic of South Africa.

Where any term is defined within the context of any particular clause or section in this Programme Memorandum, the term so defined, unless it is clear from the clause or section in question that the term so defined has limited application to the relevant clause or section, shall bear the meaning ascribed to it for all purposes in this Programme Memorandum, unless qualified by the terms and conditions of any particular Tranche of Notes (as defined in the Terms and Conditions) as set out in the Applicable Pricing Supplement or unless the context otherwise requires. Expressions defined in this Programme Memorandum shall bear the same meanings in supplements to this Programme Memorandum which do not themselves contain their own definitions.

The price/yield, the amount, and allocation of Notes to be issued under this Programme Memorandum will be determined by the Issuer and each relevant Dealer and/or the Arranger at the time of issue of such Notes in accordance with prevailing market conditions.

In connection with the issue and distribution of any Tranche of Notes, the Dealer disclosed as the approved stabilisation manager (if any) or any person acting for it ("Stabilisation Manager") in the Applicable Pricing Supplement may, subject to the terms and conditions for stabilisation contained in the Applicable Pricing Supplement and only if such stabilisation is permitted by the rules of the exchange and subject to approval by the exchange on which such Tranche of Notes will be listed, over-allot or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail for a limited period after the issue date. Such stabilising, if commenced, may be discontinued at any time and must be brought to an end after a limited period. Such stabilisation shall be carried out in accordance with all the applicable laws and regulations.

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DOCUMENTS INCORPORATED BY REFERENCE

Words used in this section headed "Documents Incorporated by Reference" shall bear the same meanings as defined in the Terms and Conditions, except to the extent that they are separately defined in this section or this is clearly inappropriate from the context.

The following documents shall be deemed to be incorporated in, and to form part of, this Programme Memorandum:

- (a) any supplements and amendments to this Programme Memorandum circulated by the Issuer from time to time in accordance with the Programme Agreement;
- (b) the Agency Agreement;
- (c) the audited annual financial statements, and the notes thereto, of the Issuer for the three financial years ended 30 June 2007, 30 June 2008 and 30 June 2009 as well as the published audited annual financial statements, and notes thereto of the Issuer in respect of further financial years, as and when such become available;
- (d) each Applicable Pricing Supplement; and
- (e) in respect of each issue of Notes, the Municipal Debt Disclosure Statement,

save that any statement contained herein or in a document which is incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Programme Memorandum to the extent that a statement contained in any such subsequent document which is deemed to be incorporated by reference herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise).

The Issuer will, in connection with the listing of Notes on the JSE, or on such other exchange or further exchange(s) as may be selected by the Issuer, and for so long as any Note remains Outstanding and listed on such exchange, publish a new Programme Memorandum or a further supplement to the Programme Memorandum on the occasion of any subsequent issue of Notes where there has been:

- (a) a material adverse change in the condition (financial or otherwise) of the Issuer which is not then reflected in the Programme Memorandum or any supplement to the Programme Memorandum; or
- (b) any modification of the terms of the Programme which would then make the Programme Memorandum materially inaccurate or misleading.

Any such new Programme Memorandum or Programme Memorandum as supplemented or modified shall be deemed to have been substituted for the previous Programme Memorandum or to have modified the previous Programme Memorandum from the date of its issue.

The Issuer will provide, free of charge, to each person to whom a copy of the Programme Memorandum has been delivered, upon request of such person, a copy of any of the documents deemed to be incorporated herein by reference, unless such documents have been modified or superseded. Requests for such documents should be directed to the Issuer at its registered office as set out herein. Copies of the most recently published audited annual financial statements of the Issuer are available free of charge at the office of the Issuer situated at Room 610, 6th Floor, 68 Woburn Avenue, Benoni, contact person Mr Willie Valentin, Executive Manager (Budget & Financial Management).

This Programme Memorandum together with the documents deemed to be incorporated hereby by reference are available for inspection at the offices of the Issuer during office hours. The Issuer shall further place an electronic copy of this Programme Memorandum and its audited financial statements on the website referred to in section 21A of the Local Government: Municipal Systems Act, 2000 which is www.ekurhuleni.com. An electronic copy of the Programme Memorandum will also be available on the JSE's website, which is <http://www.jse.co.za>.

GENERAL DESCRIPTION OF THE PROGRAMME

Words used in this section headed "General Description of the Programme" shall bear the same meanings as defined in the Terms and Conditions, except to the extent that they are separately defined in this section or this is clearly inappropriate from the context.

Under the Programme, the Issuer may from time to time issue Notes denominated in South African Rand. The applicable terms of any Notes will be set out in the Terms and Conditions incorporated by reference into the Notes, as modified and supplemented by the Applicable Pricing Supplement relating to the Notes and any supplementary Programme Memorandum. A summary of the Programme and the Terms and Conditions appears below.

This Programme Memorandum will only apply to Notes issued under the Programme in an aggregate Principal Amount which does not exceed ZAR4 000 000 000, unless such amount is increased as set out below. For the purpose of calculating the aggregate Principal Amount of Notes Outstanding under the Programme from time to time:

- (a) the amount of Indexed Notes and Partly Paid Notes (each as defined in the Terms and Conditions) shall be calculated by reference to the original Principal Amount of such Notes (and, in the case of Partly Paid Notes, regardless of the subscription price paid); and
- (b) the amount of Zero Coupon Notes (as defined in the Terms and Conditions) and other Notes issued at a discount or premium shall be calculated by reference to the net subscription proceeds received by the Issuer for the relevant issue.

In the event that the Issuer issues unlisted Notes, or Notes listed on any other exchange on which the Notes may be listed, the Issuer shall, no later than the last day of the month of such issue, inform the JSE in writing of the Principal Amount and scheduled maturity date in respect of such Notes.

From time to time the Issuer may wish to increase the aggregate Principal Amount of the Notes that may be Outstanding under the Programme. Subject to the requirements of the JSE and/or any such other financial exchange or exchanges on which the Notes may be listed or in terms of any law, the Issuer may, without the consent of Noteholders, increase the aggregate Principal Amount of the Notes that may be Outstanding under the Programme by delivering a notice thereof to the Arranger, the Dealer, the Sponsor, the Noteholders and the relevant financial exchange in accordance with Condition 17 of the Terms and Conditions. Upon such notice being given, all references in the Programme Memorandum or any other agreement, deed or document in relation to the Programme, to the aggregate Principal Amount of the Notes, shall be and shall be deemed to be references to the increased aggregate Principal Amount.

SUMMARY OF THE PROGRAMME

The following summary does not purport to be complete and is taken from, and is qualified by, the remainder of this Programme Memorandum and, in relation to the Terms and Conditions of any particular Tranche of Notes, the Applicable Pricing Supplement issued in relation to such Notes. Capitalised terms not separately defined herein shall bear the meaning given to them in the Terms and Conditions.

Issuer	Ekurhuleni Metropolitan Municipality, a metropolitan municipality established in terms of section 12(1) of the Municipal Structures Act, read with the Notice No 6768 of 2000 published in Provincial Gazette Extraordinary No 141, dated 1 October 2000, with its principal place of business at EGSC Building, corner Cross & Rose Streets, Germiston, 1401.
Description of the Programme	Ekurhuleni Metropolitan Municipality Domestic Medium Term Note Programme established by the Issuer as more fully described in the Programme Memorandum.
Size of Programme	Notes with an aggregate Principal Amount of up to ZAR4 000 000 000 may be Outstanding at any time. The Issuer may increase the amount of the Programme in accordance with the Programme Agreement.
Arranger	Absa Capital, a division of Absa Bank Limited (Registration Number 1986/004794/06) (" Absa Capital ").
Dealer	Absa Capital and any other additional Dealer appointed under the Programme from time to time, which appointment may be for a specific issue or on an ongoing basis, subject to the Issuer's right to terminate the appointment of any Dealer.
Calculation Agent	Absa Capital, unless the Issuer elects to appoint, in relation to a particular Tranche or Series of Notes, another entity as Calculation Agent, in which event that other entity, shall act in such capacity in respect of that Tranche or Series of Notes.
Paying Agent	Absa Capital, unless the Issuer elects to appoint, in relation to a particular Tranche or Series of Notes, another entity as Paying Agent, in which event that other entity, shall act in such capacity in respect of that Tranche or Series of Notes.
Transfer Agent	Absa Capital, unless the Issuer elects to appoint, in relation to a particular Series of Notes, another entity as Transfer Agent, in which event that other entity, shall act in such capacity in respect of that Series of Notes.

Rating	The Issuer has been rated by Moody's and GCR. The rating assigned to the Issuer by Moody's at the date of this Programme Memorandum is Aa2.za on a national scale and the rating assigned to the Issuer by GCR is AA- on a national scale. At the date of this Programme Memorandum, the Programme has been assigned a credit rating of Aa2.za by Moody's. Any change to these ratings will be reflected in the Applicable Pricing Supplement.
Rating Agencies	Moody's and GCR and/or such other rating agency(ies) as may be appointed by the Issuer and as specified in the Applicable Pricing Supplement.
Listing	The Programme has been approved by the JSE. Notes issued under the Programme may be listed on the Bond Market of the JSE (or on a successor exchange to the JSE or such other or further exchange or exchanges as may be selected by the Issuer in relation to such issue). Unlisted Notes may also be issued under the Programme. The Applicable Pricing Supplement in respect of a Tranche will specify whether or not such Notes will be listed and, if so, on which exchange. The JSE does not regulate Unlisted Notes.
Currency	South African Rand.
Denomination of Notes	Notes will be issued with a minimum denomination of ZAR1 000 000 each.
Form of Notes	Notes may be issued in the form of Registered Notes, Unlisted Registered Notes or Uncertificated Notes as described in the section entitled " <i>Form of the Notes</i> " below.
Interest Period(s) or Interest Payment Date(s)	Such period(s) or date(s) as may be indicated in the Applicable Pricing Supplement.
Issue Price	Notes may be issued on a fully-paid or a partly-paid basis and at an issue price which is at their nominal amount or at a discount to, or premium over, their nominal amount as indicated in the Applicable Pricing Supplement.
Maturities	Such maturity as may be indicated in the Applicable Pricing Supplement, (subject to a maturity as may be required by the JSE and/or any such exchange or exchanges on which the Notes may be listed or in terms of any law). The Notes are not subject to any minimum or maximum maturity.
Cross-Default	The terms of the Senior Notes will contain a cross-default provision relating to Material Indebtedness for money borrowed, or any guarantee of or indemnity in respect of any such Material Indebtedness as further described in Condition 12.
Negative Pledge	Condition 6 of the Terms and Conditions provides for a negative pledge in favour of the Noteholders.

Noteholder(s)	The holders of the Registered Notes, Unlisted Registered Notes and/or Uncertificated Notes (as recorded in the Register).
Notes	<p>Notes may comprise bonds, notes, debentures, commercial paper or any other debt instruments including, but not limited to:</p> <p>Fixed Rate Notes: Fixed Rate Notes will bear interest at a fixed interest rate, as indicated in the Applicable Pricing Supplement, and more fully described in Condition 7.1 of the Terms and Conditions.</p> <p>Floating Rate Notes: Floating Rate Notes will bear interest at a floating rate, as indicated in the Applicable Pricing Supplement, and more fully described in Condition 7.2 of the Terms and Conditions.</p> <p>Zero Coupon Notes: Zero Coupon Notes will be offered and sold at a discount to their nominal amount or at par and will not bear interest other than in the case of late payment.</p> <p>Indexed Notes: Payments in respect of interest on Indexed Interest Notes or in respect of principal on Indexed Redemption Amount Notes will be calculated by reference to such index and/or formula as may be indicated in the Applicable Pricing Supplement.</p> <p>Mixed Rate Notes: Mixed Rate Notes will bear interest over respective periods at the rates applicable for any combination of Fixed Rate Notes, Floating Rate Notes, Zero Coupon Notes or Indexed Notes, each as specified in the Applicable Pricing Supplement.</p> <p>Instalment Notes: The Applicable Pricing Supplement in respect of each issue of Notes that are redeemable in two or more instalments will set out the dates on which, and the amounts in which, such Notes may be redeemed.</p> <p>Partly Paid Notes: The Issue Price of Partly Paid Notes will be payable in two or more instalments as set out in the Applicable Pricing Supplement.</p> <p>Exchangeable Notes: Notes which may be redeemed by the Issuer in cash or by the delivery of securities as specified in the Applicable Pricing Supplement.</p> <p>Extendible Notes: Notes issued with a maturity of not more than 18 months, which entitles the Issuer to extend the Redemption Date to a pre-determined future date, as may be indicated in the Applicable Pricing Supplement.</p> <p>Senior Notes: Notes bearing the characteristics described under "<i>Status of Senior Notes</i>" below.</p> <p>Subordinated Notes: Notes bearing the characteristics described under "<i>Status of Subordinated Notes</i>" below.</p>
Other Notes	Terms applicable to Notes other than those specifically contemplated under this Programme Memorandum and approved by the JSE or such other or further exchange or exchanges on which such Notes may be listed and as agreed between the Issuer and the Dealer(s), will be set out in the Applicable Pricing Supplement.

Status of Senior Notes	Unless otherwise specified in the Applicable Pricing Supplement, Senior Notes will constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and will rank <i>pari passu</i> among themselves and (save for certain debts required to be preferred by law) equally with all other unsecured and unsubordinated obligations of the Issuer from time to time outstanding.
Status of Subordinated Notes	Subordinated Notes will constitute direct, unconditional, unsecured and subordinated obligations of the Issuer and will rank <i>pari passu</i> among themselves and will rank at least <i>pari passu</i> with all other present and future unsecured and subordinated obligations of the Issuer, save for those that have been recorded preferential rights by law. Subject to applicable law, in the event of the dissolution of the Issuer or if the Issuer is wound-up, then and in any such event, the claims of the person entitled to the paid amounts due in respect of Subordinated Notes shall be subordinated to all other claims in respect of any other indebtedness of the Issuer except for other Subordinated Indebtedness (as defined in Condition 5.2) of the Terms and Conditions). Accordingly, no amount due on the Subordinated Notes shall be eligible for set-off or shall be payable to any person entitled to be paid such amount until all other indebtedness of the Issuer which is admissible in any such dissolution or winding-up (other than Subordinated Indebtedness) has been paid or discharged in full.
Redemption	<p>The Applicable Pricing Supplement relating to each Tranche of Notes will indicate either:</p> <ul style="list-style-type: none">(a) that the Notes may only be redeemed prior to their stated maturity (other than in specified instalments, if applicable) for taxation reasons or following an Event of Default; or(b) that such Notes will also be redeemable at the option of the Issuer upon giving such notice as is indicated in the Applicable Pricing Supplement to the Noteholders at a price or prices and on such terms as are indicated in the Applicable Pricing Supplement. <p>The Applicable Pricing Supplement may provide that Notes may be repayable in two or more instalments and on such dates as indicated in the Applicable Pricing Supplement.</p>
Register	The Register maintained by the Transfer Agent in terms of the Terms and Conditions.
Distribution	Notes may be distributed by way of private placement or any other means permitted under South African law, and in each case on a syndicated or non-syndicated basis as may be determined by the Issuer and the relevant Dealer(s) and reflected in the Applicable Pricing Supplement.
Selling Restriction	There are selling restrictions in relation to the United States, the United Kingdom, the European Economic Area and the Republic of South Africa and such other restrictions as may be required to be met in relation to an offering or sale of a particular Tranche of

Notes which may be included in the Applicable Pricing Supplement.

Blocked Rand

Blocked Rand may be used for the purchase of Notes, subject to South African Exchange Control Regulations.

Stamp Duty, other taxes

In terms of prevailing South African legislation, the original issue of and the registration of transfer of Notes, marketable securities or securities qualifying as "instruments" as contemplated in section 24J of the Income Tax Act, 1962 are exempt from stamp duty and uncertificated securities tax. No securities transfer tax will be payable in terms of the Securities Transfer Tax Act, 2007 in respect of the transfer, issue, cancellation or redemption of the Notes.

Taxation

As at the date of this Programme Memorandum all payments in respect of the Notes will be made without withholding or deduction for or on account of taxes levied in South Africa. In the event that certain withholding tax or such other deduction is required by law, then the Issuer will, subject to certain exceptions as provided in Condition 10 of the Terms and Conditions, pay such additional amounts as shall be necessary in order that the net amounts received by the Noteholders after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes in the absence of such withholding or deduction.

Governing Law

The Notes will be governed by, and construed in accordance with the laws of the Republic of South Africa.

Terms and Conditions

The terms and conditions of the Notes set out below.

FORM OF THE NOTES

Words used in this section headed "Form of the Notes" shall bear the same meanings as defined in the Terms and Conditions, except to the extent that they are separately defined in this section or this is clearly inappropriate from the context.

Notes may be issued as listed Registered Notes, Unlisted Registered Notes or Uncertificated Notes as specified in the Applicable Pricing Supplement.

The Notes may be listed on the JSE and/or a successor exchange to the JSE or such other or further exchange or exchanges as the Issuer may select in relation to an issue. Each Tranche of Notes listed on the JSE will be issued in accordance with the Terms and Conditions set out below in this Programme Memorandum in the form of a single certificate, without interest coupons as a Global Certificate, which will be lodged, immobilised and dematerialised in the Central Securities Depository, which forms part of the settlement system of the JSE. This will entail that the Notes, represented by the Global Certificate, will be deposited with and registered in the name of, and for the account of the Central Securities Depository's Nominee.

All Notes not represented by a Global Certificate shall be issued in definitive form as Individual Certificates or as Uncertificated Notes.

Registered Notes

Beneficial Interests in Notes which are lodged in the form of a Global Certificate in the Central Securities Depository may, in terms of existing law and practice, be transferred through the Central Securities Depository by way of book entry in the securities accounts of the Central Securities Depository Participants in the Central Securities Depository, who are also approved by the JSE to act as settlement agents and therefore perform electronic settlement of both funds and scrip on behalf of market participants. A certificate or other document issued by a Central Securities Depository Participant as to the nominal amount of such Beneficial Interest in Notes standing to the account of any person shall be *prima facie* proof of such Beneficial Interest. A Global Certificate may be replaced by the issue of Uncertificated Notes in terms of Section 37 of the Securities Services Act.

Beneficial Interests in Notes represented by a Global Certificate may be exchanged, without charge by the Issuer, for Individual Certificates in accordance with the provisions of Condition 13 of the Terms and Conditions. The Notes represented by the Global Certificate and Individual Certificates will be registered in the names of the Noteholders in the Register of Noteholders maintained by the Transfer Agent. The Issuer shall regard the Register as the conclusive record of title to the Notes. With regard to Notes listed on the JSE, the Central Securities Depository shall be recognised by the Issuer as the owner of the Notes represented by the Global Certificate and the registered holders of Individual Certificates shall be recognised by the Issuer as the owners of the Notes represented by such Individual Certificates.

Notes represented by Individual Certificates may only be transferred in accordance with the provisions of Condition 14.

Unlisted Registered Notes

Unlisted Registered Notes issued in definitive registered form shall be represented by Individual Certificates. The title to Unlisted Registered Notes represented by the Individual Certificates will pass upon registration of transfer in the Register. The Issuer shall regard the Register as a conclusive record of title to the Unlisted Registered Notes.

Uncertificated Notes

Notes may be issued in uncertificated form in terms of section 37 of the Securities Services Act. Uncertificated Notes will not be represented by any certificate or written instrument. Uncertificated Notes will be held in the Central Securities Depository and be registered in the name of, and for the account of the Central Securities Depository's Nominee. In respect of any Tranche of Notes issued in uncertificated form, the Central Securities Depository's Nominee will be named in the Register or as the registered Noteholder of that Tranche of Notes.

Beneficial Interests in Notes issued in uncertificated form may, in terms of existing law and practice, be transferred through the Central Securities Depository by way of book entry in the securities accounts of the Central Securities Depository Participants in the Central Securities Depository . A certificate or other document issued by a Central Securities Participant as to the nominal amount of such Beneficial Interest in Uncertificated Notes standing to the account of any person shall be *prima facie* proof of such Beneficial Interests.

Title to Uncertificated Notes will pass in accordance with the provisions of Condition 14.

PRO FORMA PRICING SUPPLEMENT

Set out below is the form of Pricing Supplement which will be completed for each Tranche of Notes issued under the Programme:


EKURHULENI METROPOLITAN MUNICIPALITY
**Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
Under its ZAR4 000 000 000 Domestic Medium Term Note Programme**

This document constitutes the Applicable Pricing Supplement relating to the issue of Notes described herein. Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions set forth in the Programme Memorandum dated on or about 23 July 2010. This Applicable Pricing Supplement must be read in conjunction with such Programme Memorandum. To the extent that there is any conflict or inconsistency between the contents of this Applicable Pricing Supplement and such Programme Memorandum, the provisions of this Applicable Pricing Supplement shall prevail. To the extent that certain provisions of the *pro forma* Pricing Supplement do not apply to the Notes described herein, they may be deleted in this Applicable Pricing Supplement or indicated to be not applicable.

DESCRIPTION OF THE NOTES

- | | | |
|----|-----------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------|
| 1. | Issuer | Ekurhuleni Metropolitan Municipality |
| 2. | Status of Notes | [Secured/Unsecured]
[Senior/Subordinated] |
| 3. | (a) Tranche Number | [] |
| | (b) Series Number | [] |
| 4. | Aggregate Principal Amount | [] |
| 5. | Interest/Payment Basis | [Fixed Rate/Floating Rate/Zero Coupon/Indexed Interest /Indexed Redemption Amount/Mixed Rate/Partly Paid/ Instalment/Exchangeable/other] |
| 6. | Form of Notes | [Registered Notes/Unlisted Registered Notes/ Uncertificated Notes] |
| 7. | Automatic/Optional Conversion Interest/Payment Basis to another | from one [insert details including date for conversion] |
| 8. | Issue Date | [] |
| 9. | Business Centre | [] |

- | | | |
|-----|--------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------|
| 10. | Additional Business Centre | [] |
| 11. | Principal Amount per Note | [] |
| 12. | Specified Denomination | [] |
| 13. | Issue Price | [] |
| 14. | Interest Commencement Date | [] |
| 15. | Maturity Date | [] |
| 16. | Specified Currency | [] |
| 17. | Applicable Business Day Convention | [Floating Rate Business Day/Following Business Day/Modified Following Business Day/Preceding Business Day/other convention – insert details] |
| 18. | Calculation Agent | [] |
| 19. | Paying Agent | [] |
| 20. | Specified office of the Paying Agent | [] |
| 21. | Transfer Agent | [] |
| 22. | Final Redemption Amount | [] |

FIXED RATE NOTES

- | | | | |
|-----|-----|---------------------------------------------------------------------------|-----------------------------------------------------------------------------|
| 23. | (a) | Fixed Interest Rate(s) | [] percent per annum [payable annually/semi-annually/ quarterly] in arrear |
| | (b) | Interest Payment Date(s) | [Dates/Periods] |
| | (c) | Initial Broken Amount | [] |
| | (d) | Final Broken Amount | [] |
| | (e) | Any other terms relating to the particular method of calculating interest | [] |

FLOATING RATE NOTES

- | | | | |
|-----|-----|-----------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------|
| 24. | (a) | Interest Payment Date(s) | [Dates/Periods] |
| | (b) | Interest Period(s) | [] |
| | (c) | Definitions of Business Day (if different from that set out in Condition 1) | [] |
| | (d) | Interest Rate(s) | [] percent |
| | (e) | Minimum Interest Rate | [] percent |
| | (f) | Maximum Interest Rate | [] percent |
| | (g) | Other terms relating to the method of calculating interest (e.g., Day Count Fraction, rounding up provision, if different from Condition 7.2) | [] |
| 25. | | Manner in which the Interest Rate is to be | [ISDA Determination/Screen Rate] |

- | determined | Determination/other (insert details)] |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------|
| 26. Margin | [(+/-) • percent to be added to/subtracted from the relevant (ISDA Rate/Reference Rate)] |
| 27. If ISDA Determination | |
| (a) Floating Rate | [] |
| (b) Floating Rate Option | [] |
| (b) Designated Maturity | [] |
| (c) Reset Date(s) | [] |
| 28. If Screen Determination | |
| (a) Reference Rate (including relevant period by reference to which the Interest Rate is to be calculated) | [e.g. ZAR-JIBAR-SAFEX] |
| (b) Interest Determination Date(s) | [] |
| (c) Relevant Screen Page and Reference Code | [] |
| 29. If Interest Rate to be calculated otherwise than by reference to 27 or 28 above, insert basis for determining Interest Rate/Margin/Fall back provisions | |
| 30. If different from the Calculation Agent, agent responsible for calculating amount of principal and interest | [] |

PARTLY PAID NOTES

- | | |
|------------------------------------------------------------------------------------------------------------------------|-----------------|
| 31. Amount of each payment comprising the Issue Price | [] |
| 32. Date upon which each payment is to be made by Noteholder | [] |
| 33. Consequences (if any) of failure to make any such payment by Noteholder | [] |
| 34. Interest Rate to accrue on the first and subsequent instalments after the due date for payment of such instalments | [] percent |

INSTALMENT NOTES

- | | |
|---------------------------------------------------------------------------------------------------|---------|
| 35. Instalment Dates | [] |
| 36. Instalment Amounts (expressed as a percentage of the aggregate Principal Amount of the Notes) | [] |

MIXED RATE NOTES

- | | |
|---------------------------------------------------------------------------------------------------------|---------|
| 37. Period(s) during which the interest rate for the Mixed Rate Notes will be (as applicable) that for: | [] |
|---------------------------------------------------------------------------------------------------------|---------|

- (a) Fixed Rate Notes []
- (b) Floating Rate Notes []
- (c) Indexed Notes []
- (d) Other Notes []

ZERO COUPON NOTES

38. (a) Implied Yield [] percent [naca] [nacs]
[nacm] [nacq] [other method of compounding]
- (b) Reference Price []
- (c) Any other formula or basis for determining amount(s) payable []

INDEXED NOTES

39. (a) Type of Indexed Notes [Indexed Interest Notes/Indexed Redemption Amount Notes]
- (b) Index/Formula by reference to which Interest Rate/Interest Amount (delete as applicable) is to be determined []
- (c) Manner in which the Interest Rate/Interest Amount (delete as applicable) is to be determined []
- (d) Interest Payment Date(s) []
- (e) Calculation Agent (if different from []) []
- (f) Provisions where calculation by reference to Index and/or Formula is impossible or impractical []

EXCHANGEABLE NOTES

40. Mandatory Exchange applicable? [Yes/No]
41. Noteholders' Exchange Right applicable? [Yes/No]
42. Exchange Securities []
43. Manner of determining Exchange Price []
44. Exchange Period []
45. Other []

EXTENDIBLE NOTES

46. Last date to which Maturity Date may be extended []
47. Step-up Margin []
48. Requisite Notice []
49. Other []

50. OTHER NOTES

If the Notes are not Partly Paid Notes, Instalment Notes, Fixed Rate Notes, Floating Rate Notes, Mixed Rate Notes, Zero Coupon Notes, Indexed Notes, Extendible Notes or Exchangeable Notes, or if the Notes are a combination of any of the foregoing, set out the relevant description and any additional Terms and Conditions relating to such Notes []

**PROVISIONS REGARDING REDEMPTION/
MATURITY**

51. Issuer's Optional Redemption: [Yes/No]
- if yes:
- (a) Optional Redemption Date(s) []
- (b) Optional Redemption Amount(s) and method, if any, of calculation of such amount(s) []
- (c) Minimum Period of Notice (if different to Condition 9.3) []
- (d) If redeemable in part:
- Minimum Redemption Amount(s) []
- Higher Redemption Amount(s) []
- (e) Other terms applicable on Redemption []
52. Redemption at the option of the Noteholders: [Yes/No]
- if yes:
- (a) Optional Redemption Date(s) []
- (b) Optional Redemption Amount(s) and method, if any, of calculation of such amount(s) []
- (c) Minimum period of notice (if different to Condition 9.4) []
- (d) If redeemable in part:

- Minimum Redemption Amount(s) []
 Higher Redemption Amount(s) []
 (e) Other terms applicable on Redemption []
 (f) Attach *pro forma* put notice(s)
 53. Early Redemption Amount(s) payable on redemption for taxation reasons or on Event of Default []

GENERAL

54. Additional selling restrictions []
 55. (a) International Securities Numbering (ISIN) []
 (b) Stock Code []
 56. Financial Exchange []
 57. If syndicated, names of managers []
 58. Credit Rating assigned to Notes, the Programme and/ or the Issuer as at the Issue Date (if any) []
 59. Governing law (if the laws of South Africa are not applicable) []
 60. Use of proceeds []
 61. Last Day to Register [] or [] which shall mean that the Register will be closed from each Last Day to Register to the next applicable Payment Day or [10] days prior to the actual redemption date
 62. Books Closed Period []
 63. Stabilisation Manager (if any) []
 64. Other provisions []

DISCLOSURE REQUIREMENTS IN TERMS OF PARAGRAPH 3(5) OF THE COMMERCIAL PAPER REGULATIONS

At the date of this Applicable Pricing Supplement:

65. Paragraph 3(5)(a)
 The ultimate borrower is the Issuer.
 66. Paragraph 3(5)(b)
 The Issuer is a going concern and can in all circumstances be reasonably expected to meet its commitments under the Notes.
 67. Paragraph 3(5)(c)
 The auditor of the Issuer is the Auditor-General.
 68. Paragraph 3(5)(d)
 As at the date of this issue:

- (a) the Issuer has not issued any Notes; and
- (b) it is anticipated that the Issuer will issue additional Notes during the remainder of its current financial year in an aggregate amount not exceeding ZAR[].

69. Paragraph 3(5)(e)

Prospective investors in the Notes are to consider this Applicable Pricing Supplement, the Programme Memorandum and the documentation incorporated therein by reference in order to ascertain the nature of the financial and commercial risks of an investment in the Notes. In addition, prospective investors in the Notes are to consider the latest audited financial statements of the Issuer which are incorporated into the Programme Memorandum by reference and which may be requested from the Issuer.

70. Paragraph 3(5)(f)

There has been no material adverse change in the Issuer's financial position since the date of its last audited financial statements.

71. Paragraph 3(5)(g)

The Notes issued will be [listed/unlisted], as stated in the Applicable Pricing Supplement.

72. Paragraph 3(5)(h)

The funds to be raised through the issue of the Notes are to be used by the Issuer for the purposes specified in sections 45 and 46 of the MFMA.

73. Paragraph 3(5)(i)

The Notes are unsecured.

74. Paragraph 3(5)(j)

The Auditor-General, the auditor of the Issuer, has confirmed that nothing has come to its attention to indicate that this issue of Notes issued under the Programme will not comply in all respects with the relevant provisions of the Commercial Paper Regulations.

Responsibility:

The Issuer accepts responsibility for the information contained in this Applicable Pricing Supplement.

[Application is hereby made to list this issue of Notes on [insert date]].

SIGNED at _____ this _____ day of _____
2010.

For and on behalf of
EKURHULENI METROPOLITAN MUNICIPALITY

Name : Mr Khaya Ngema

Name : Mr Zakes Myeza

Capacity : City Manager
who warrants his/her authority hereto

Capacity : Chief Financial Officer
who warrants his/her authority hereto

TERMS AND CONDITIONS OF THE NOTES

The following are the Terms and Conditions of the Notes to be issued by the Issuer on or after the date of this Programme Memorandum. Notes will be issued in individual Tranches which, together with other Tranches, may form a Series of Notes. Before the Issuer issues any Tranche of Notes, the Issuer shall complete and sign the Applicable Pricing Supplement, based on the pro forma Pricing Supplement included in the Programme Memorandum, setting out details of such Notes. The Applicable Pricing Supplement in relation to any Tranche of Notes may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following Terms and Conditions, replace or modify the following Terms and Conditions for the purpose of such Tranche of Notes. The Applicable Pricing Supplement will be attached to each Certificate. All references in this Programme Memorandum to any statute, regulation or other legislation will be a reference to that statute, regulation or other legislation as amended, re-enacted or replaced and substituted from time to time.

1. INTERPRETATION

In these Terms and Conditions, unless inconsistent with the context or separately defined in the Applicable Pricing Supplement, the following expressions shall have the following meanings:

“Absa”	Absa Bank Limited, a public company with limited liability registered and incorporated in accordance with the laws of South Africa with registration number 1986/004794/06;
“Absa Capital”	Absa Capital, a division of Absa;
“Actual Redemption Date”	in respect of Extendible Notes, the actual date of redemption in full by way of payment of the aggregate Principal Amount Outstanding of such Notes;
“Agency Agreement”	the agency agreement dated on or about 23 July 2010 and entered into between the Issuer, the Transfer Agent, the Calculation Agent and the Paying Agent;
“Applicable Pricing Supplement”	the pricing supplement relating to each Tranche of Notes;
“Applicable Procedures”	the rules and operating procedures for the time being of the Central Securities Depository, the JSE and/or any other applicable financial exchange, as the case may be;
“Banks Act”	the Banks Act, 1990;
“BESA Guarantee Fund”	the Guarantee Fund established and operated by the Bond Exchange of South Africa Limited, prior to the merger with the JSE on 1 July 2009 and as at the date of this Programme Memorandum, operated by the JSE as a separate guarantee fund, in terms of the rules of the JSE as required by section 9(1)(e) and 18(2)(x) of the Securities Services Act or any successor fund;

“Beneficial Interest”	<p>(a) in respect of the Registered Notes: the undivided share of a co-owner of Registered Notes represented by a Global Certificate as provided in section 41 of the Securities Services Act; and</p> <p>(b) in respect of the Uncertificated Notes: the undivided share of a co-owner of the Uncertificated Notes held in the Central Securities Depository as provided in section 41 of the Securities Services Act;</p>
“Bond Market of the JSE”	the separate platform or sub-market of the JSE designated as the “Bond Market”;
“Books Closed Period”	the period, as specified in the Applicable Pricing Supplement, commencing after the Last Day to Register, during which transfer of Notes will not be registered, or such shorter period as the Issuer may decide in order to determine those Noteholders entitled to receive interest;
“Business Day”	a day (other than a Saturday or Sunday or public holiday within the meaning of the Public Holidays Act, 1994) which is a day on which commercial banks settle ZAR payments in Johannesburg or any Additional Business Centre specified in the Applicable Pricing Supplement;
“Calculation Agent”	Absa Capital, unless the Issuer elects to appoint, in relation to a particular Tranche or Series of Notes, another entity as Calculation Agent, in which event that other entity shall act as a Calculation Agent in respect of that Tranche or Series of Notes;
“Central Securities Depository”	STRATE Limited (Registration Number 1998/022242/06), or its nominee or any successor thereto, operating in terms of the Securities Services Act, or any additional or alternate depository approved by the Issuer;
“Central Securities Depository's Nominee”	Central Depository Nominees (Proprietary) Limited (Registration Number 1990/00665/07), a wholly owned subsidiary of the Central Securities Depository;
“Central Securities Depository Participants”	a person(s) that holds in custody and administers securities or an interest in securities and that has been accepted by the Central Securities Depository as a participant in terms of Section 34 of the Securities Services Act as a participant in that Central Securities Depository;
“Central Securities Depository System”	the computer system or systems and associated network or networks appointed or used by the Central Securities Depository for the purpose of clearing and settlement of trades in Notes or any other purpose in terms of the Securities Services Act;

“Certificate”	a Global Certificate or Individual Certificate, as the case may be;
“Class of Noteholders”	the holders of a Series of Notes or, where appropriate, the holders of different Series of Notes;
“Commercial Paper Regulations”	Government Notice number 2172 published in Government Gazette number 16167, dated 14 December 1994;
“Companies Act”	the Companies Act, 1973 (as amended);
“Dealer”	Absa Capital and any other additional Dealer appointed under the Programme from time to time, which appointment may be for a specific issue or on an ongoing basis, subject to the Issuer’s right to terminate the appointment of any Dealer;
“Early Redemption Amount”	the amount at which the Notes will be redeemed by the Issuer pursuant to the provisions of Condition 9.2 and/or Condition 12, as set out in Condition 9.5;
“Encumbrance”	means any lien, pledge, cession in securitatem debiti, mortgage, charge, encumbrance or other security interest or any agreement or arrangement having the effect of providing a right of security, provided that Encumbrance shall not include any statutory preference and any security interest arising by operation of law;
“Event of Default”	an event of default by the Issuer, as set out in Condition 12;
“Exchange Control Regulations”	the Exchange Control Regulations, 1961 promulgated in terms of section 9 of the Currency and Exchanges Act, 1933;
“Exchangeable Notes”	Notes which may be redeemed by the Issuer in the manner indicated in the Applicable Pricing Supplement by the delivery to the Noteholders of cash or of so many of the Exchange Securities as is determined in accordance with the Applicable Pricing Supplement;
“Exchange Period”	in respect of Exchangeable Notes to which the Noteholders’ Exchange Right applies (as indicated in the Applicable Pricing Supplement), the period indicated in the Applicable Pricing Supplement during which such right may be exercised;
“Exchange Price”	the value indicated in the Applicable Pricing Supplement according to which the number of Exchange Securities which may be delivered in redemption of an Exchangeable Note will be determined;

“Exchange Securities”	the securities indicated in the Applicable Pricing Supplement which may be delivered by the Issuer in redemption of Exchangeable Notes to the value of the Exchange Price;
“Extendible Note”	any Note with a maturity of not more than 18 months, which entitles the Issuer to extend the Redemption Date to a pre-determined future date, as indicated in the Applicable Pricing Supplement;
“Extraordinary Resolution”	a resolution passed at a meeting of the Noteholders (duly convened) and held in accordance with the provisions of Condition 18 by a majority consisting of not less than 66.6% of the persons voting thereat upon a show of hands or if a poll be duly demanded then by a majority consisting of not less than 66.6% of the votes cast on such poll;
“Final Redemption Amount”	the amount of principal specified in the Applicable Pricing Supplement payable in respect of each Note upon the Redemption Date;
“Fixed Interest Rate”	the rate or rates of interest applicable to Fixed Rate Notes, as specified in the Applicable Pricing Supplement;
“Fixed Rate Notes”	Notes which will bear interest at the Fixed Interest Rate, as indicated in the Applicable Pricing Supplement;
“Floating Rate”	has the meaning given to the expression in the ISDA Definitions, as indicated in the Applicable Pricing Supplement;
“Floating Rate Notes”	Notes which will bear interest as indicated in the Applicable Pricing Supplement and more fully described in Condition 7.2;
“GCR”	Global Credit Rating Co. (Proprietary) Limited;
“Global Certificate”	the single certificate, without interest coupons, registered in the name of the Central Securities Depository's Nominee and representing those Notes issued under the Terms and Conditions which are lodged and immobilised in the Central Securities Depository other than those Notes represented by Individual Certificates and Uncertificated Notes. A Global Certificate may be replaced by the issue of Uncertificated Notes in terms of section 37 of the Securities Services Act;
“Implied Yield”	the yield accruing on the Issue Price of Zero Coupon Notes, as specified in the Applicable Pricing Supplement;
“Indebtedness”	in respect of the Issuer, any indebtedness in respect of monies borrowed from any person, debenture holder or lender and (without double counting) guarantees,

suretyships and indemnities (other than those in the ordinary course of business) given, whether present or future, actual or contingent;

“Indexed Interest Notes”	Notes in respect of which the Interest Amount is calculated by reference to such index and/or formula as indicated in the Applicable Pricing Supplement;
“Indexed Note”	an Indexed Interest Note and/or an Indexed Redemption Amount Note, as applicable;
“Indexed Redemption Amount Notes”	Notes in respect of which the Final Redemption Amount is calculated by reference to an index and/or a formula as indicated in the Applicable Pricing Supplement;
“Individual Certificate”	in respect of Registered Notes: a Note in the definitive registered form of a single Certificate and, in respect of Registered Notes which are listed, being a Certificate exchanged for a Beneficial Interest in the Notes represented by the Global Certificate in accordance with Condition 13 and any further Certificate issued in consequence of a transfer thereof;
“Instalment Amount”	the amount expressed as a percentage of the Principal Amount of an Instalment Note, being an instalment of principal (other than the final instalment) on an Instalment Note;
“Instalment Notes”	Notes redeemable in Instalment Amounts by the Issuer on an amortised basis on different Instalment Dates, as indicated in the Applicable Pricing Supplement;
“Interest Amount”	the amount of interest payable in respect of each Principal Amount of Fixed Rate Notes, Floating Rate Notes and Indexed Notes, as determined in accordance with Condition 7.1, 7.2.6 and 7.4 respectively;
“Interest Commencement Date”	the first date from which interest on the Notes, other than Zero Coupon Notes, will accrue, as specified in the Applicable Pricing Supplement;
“Interest Payment Date”	the Interest Payment Date(s) specified in the Applicable Pricing Supplement or if no express Interest Payment Date(s) is/are specified in the Applicable Pricing Supplement, each date which occurs after a certain period following the preceding Interest Payment Date (such period as specified in the Applicable Pricing Supplement) or, in the case of the first Interest Payment Date, after the Interest Commencement Date;
“Interest Period”	the period(s) in respect of which interest accrues on Notes other than Zero Coupon Notes and falls due for payment on the applicable Interest Payment Date;

“Interest Rate”	the rate(s) of interest applicable to Notes other than Zero Coupon Notes and Fixed Rate Notes, as indicated in the Applicable Pricing Supplement;
“ISDA”	International Swaps and Derivatives Association, Inc.;
“ISDA Definitions”	the 2000 ISDA Definitions as published by ISDA (as amended, supplemented, revised or republished from time to time);
“Issuer” or “EMM”	Ekurhuleni Metropolitan Municipality, a metropolitan municipality established in terms of section 12(1) of the Municipal Structures Act, read with Notice No 6768 of 2000 published in Provincial Gazette Extraordinary No 141, dated 1 October 2000, with its principal place of business at EGSC Building, corner Cross & Rose Streets, Germiston, 1401;
“JSE”	the JSE Limited (Registration number 2005/022939/06) a licensed financial exchange in terms of the Securities Services Act or any exchange which operates as a successor exchange to the JSE;
“Last Day to Register”	with respect to a particular Series of Notes (as reflected in the Applicable Pricing Supplement), the last date or dates preceding a Payment Day on which the Transfer Agent will accept Transfer Forms and record the transfer of Notes in the Register for that particular Series of Notes and whereafter the Register is closed for further transfers or entries until the Payment Day;
“MFMA”	the Local Government: Municipal Finance Management Act, 2003;
“Material Asset”	any asset of the Issuer with a book value equal to or exceeding 5% of the total assets of the Issuer as set out in the Issuer’s most recently published audited financial statements from time to time (or its equivalent in other currencies), at the time of the Event of Default;
“Material Indebtedness”	any Indebtedness amounting in aggregate to an amount which equals or exceeds ZAR100 000 000 (or its equivalent in other currencies);
“Mandatory Exchange”	if indicated in the Applicable Pricing Supplement, the obligation of the Issuer to redeem Exchangeable Notes on the Maturity Date by delivery of Exchange Securities to the relevant Noteholders of Exchangeable Notes;
“Mixed Rate Notes”	Notes which will bear interest over respective periods at differing interest rates applicable to any combination of Fixed Rate Notes, Floating Rate Notes, Zero Coupon Notes or Indexed Notes, each as indicated in the Applicable Pricing Supplement and as more fully

	described in Condition 7.3;
“Moody’s”	Moody’s Investors Service South Africa (Proprietary) Limited;
“Municipal Debt Disclosure Statement”	The debt disclosure statement required to be prepared and published by the Issuer in accordance with the Municipal Regulations on Debt Disclosures;
“Municipal Entities”	<ul style="list-style-type: none"> (a) a private company, as envisaged in section 86B(1)(a) (i) and (ii) of the Municipal Systems Act, established or acquired by a municipality in terms of Part 2 of the Municipal Systems Act; (b) a service utility, as envisaged in section 86(B)(1)(b) of the Municipal Systems Act, established by a municipality in terms of Part 3 of the Municipal Systems Act; and (c) a multi-jurisdictional service utility, as envisaged in section 86(B)(1)(c) of the Municipal Systems Act, established by two or more municipalities in terms of Part 4 of the Municipal Systems Act;
“Municipal Regulations on Debt Disclosures”	Government Notice number R492 published in Government Gazette number 29966, dated 15 June 2007;
“Municipal Structures Act”	the Local Government: Municipal Structures Act, 1998;
“Municipal Systems Act”	the Local Government: Municipal Systems Act, 2000;
“naca”	nominal annual compounded annually;
“nacm”	nominal annual compounded monthly;
“nacq”	nominal annual compounded quarterly;
“nacs”	nominal annual compounded semi-annually;
“Noteholders”	the holders of the Registered Notes and/or Unlisted Registered Notes;
“Noteholders’ Exchange Right”	if indicated as applicable in the Applicable Pricing Supplement, the right of Noteholders of Exchangeable Notes to elect to receive delivery of the Exchange Securities in lieu of cash from the Issuer upon redemption of such Notes;
“Notes”	the notes issued or to be issued by the Issuer under the Programme and represented by a Certificate or issued in the form of Uncertificated Notes. Notes will be issued in registered form and will be either Senior Notes or Subordinated Notes;

“Outstanding”

in relation to the Notes, all the Notes issued other than:

- (a) those which have been redeemed in full;
- (b) those in respect of which the date for redemption in accordance with the Terms and Conditions has occurred and the redemption moneys wherefor (including all interest (if any) accrued thereon to the date for such redemption and any interest (if any) payable under the Terms and Conditions after such date) remain available for payment against presentation of Certificates or otherwise;
- (c) those which have been purchased and cancelled as provided in Condition 9;
- (d) those which have become void under Condition 11;
- (e) Notes represented by those mutilated or defaced Certificates which have been surrendered in exchange for replacement Certificates pursuant to Condition 13;
- (f) (for the purpose only of determining how many Notes are Outstanding and without prejudice to their status for any other purpose) those Notes represented by Certificates alleged to have been lost, stolen or destroyed and in respect of which replacement Certificates have been issued pursuant to Condition 13,

provided that for each of the following purposes, namely:

- (i) the right to attend and vote at any meeting of the Noteholders; and
- (ii) the determination of how many and which Notes are for the time being Outstanding for the purposes of Conditions 18 and 19,

all Notes (if any) which are for the time being held by the Issuer (subject to any applicable law) or by any person for the benefit of the Issuer and not cancelled (unless and until ceasing to be so held) shall be deemed not to be Outstanding;

“Partial Redemption Amount”

the portion of the Principal Amount Outstanding of any Extendible Note redeemed by the Issuer, as notified to Noteholders in accordance with Condition 17;

“Partly Paid Notes”

Notes which are issued with the Issue Price partly paid and which Issue Price is paid up fully by the Noteholder in instalments (as indicated in the Applicable Pricing

Supplement);

“Paying Agent”

Absa Capital unless the Issuer elects to appoint, in relation to a particular Tranche or Series of Notes, another entity as Paying Agent, in which event that other entity shall act as a Paying Agent in respect of that Tranche or Series of Notes;

“Payment Day”

any day which is a Business Day and upon which a payment is due by the Issuer in respect of any Notes;

“Permitted Encumbrance”

- (a) any Encumbrance existing as at the date of the Applicable Pricing Supplement; or
- (b) any Encumbrance with regard to receivables or which is created pursuant to any securitisation or like arrangement in accordance with normal market practice; or
- (c) any Encumbrance created over any asset owned, acquired, developed or constructed, being an Encumbrance created for the sole purpose of financing or refinancing that asset owned, acquired, developed or constructed, provided the indebtedness so secured shall not exceed the bona fide market value of such asset or the cost of that acquisition, development or construction (including all interest and other finance charges, adjustments, due to changes in circumstances and other charges reasonably incidental to such cost, whether contingent or otherwise) and where such market value or cost both apply, the higher of the two; or
- (d) any Encumbrance created in the ordinary course of business over deposit accounts securing a loan to the Issuer equal to the amounts standing to the credit of such deposit accounts, including any cash management system; or
- (e) any Encumbrance created in the ordinary course of business over stock-in-trade, inventories, accounts receivable or deposit accounts; or
- (f) any guarantee(s) issued by the Issuer for the indebtedness of any of its Municipal Entities, subject to an aggregate for all those Municipal Entities of an amount not exceeding 5% of the total revenue of the Issuer as published in the latest audited financial statements of the Issuer;
- (g) any Encumbrance securing in aggregate not more than ZAR100 000 000 (or its equivalent in other currencies) at any time;

“Principal Amount”	the nominal amount of each Note;
“Programme”	the ZAR4 000 000 000 Domestic Medium Term Note Programme under which the Issuer may from time to time issue Notes;
“Programme Agreement”	the programme agreement dated on or about 23 July 2010 and entered into between the Issuer, the Arranger and the Dealer;
“Programme Memorandum”	the programme memorandum contained in this document dated on or about 23 July 2010;
“Rating Agency”	Moody’s, GCR and/or such other rating agency as may be appointed by the Issuer;
“Redemption Date”	the date upon which the Notes are redeemed by the Issuer, whether by way of redemption on maturity in terms of Condition 9.1 or redemption for tax reasons in terms of Condition 9.2, as the case may be;
“Register”	the register maintained by the Transfer Agent in terms of Condition 15;
“Registered Note”	a note issued in registered form and transferable in accordance with Condition 14.1;
“Relevant Date”	in respect of any payment relating to the Notes, the date on which such payment first becomes due, except that, in relation to monies payable to the Central Securities Depository in accordance with these Terms and Conditions, it means the first date on which: (i) the full amount of such monies have been received by the Central Securities Depository, (ii) such monies are available for payment to the holders of Beneficial Interests, and (iii) notice to that effect has been duly given to such holders in accordance with the Applicable Procedures;
“Representative”	a person duly authorised to act on behalf of a Noteholder, who may be regarded by the Issuer, the Transfer Agent and the Paying Agent (acting in good faith) as being duly authorised based upon the tacit or express representation thereof by such Representative, in the absence of express notice to the contrary from such Noteholder;
“Securities Services Act”	the Securities Services Act, 2004 (as amended);
“Series”	a Tranche of Notes together with any further Tranche or Tranches of Notes which are: (i) expressed to be consolidated and form a single series; and (ii) identical in all respects (including as to listing) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices and “holders of Notes of the relevant Series” and related expressions shall be construed

	accordingly;
“Settlement Agent”	a Central Securities Depository Participant, approved by the JSE or any other relevant financial exchange to perform electronic settlement of both funds and scrip on behalf of market participants;
“Step-up Margin”	the margin to be added to the Interest Rate applicable to an Extendible Note and specified in the Applicable Pricing Supplement or in the case of Zero Coupon Notes, the agreed rate specified in the Applicable Pricing Supplement;
“Terms and Conditions”	the terms and conditions incorporated in this section entitled “ <i>Terms and Conditions of the Notes</i> ” and in accordance with which the Notes will be issued;
“Tranche”	in relation to any particular Series, all Notes which are identical in all respects (including as to listing);
“Transfer Agent”	Absa Capital unless the Issuer elects to appoint, in relation to a particular Series of Notes, another entity as Transfer Agent in which event that other entity shall act as Transfer Agent in respect of that Series of Notes;
“Transfer Form”	the written form for the transfer of a Registered Note or Unlisted Registered Note, in the form approved by the Transfer Agent, and signed by the transferor and transferee;
“Unlisted Registered Note”	a note issued in registered form and not listed on the JSE and transferable in accordance with Condition 14.2;
“Uncertificated Notes”	a Note issued in uncertificated form in accordance with section 37 of the Securities Services Act, not evidenced by any written document or instrument and held in the Central Securities Depository;
“ZAR”	the lawful currency of the Republic of South Africa, being South African Rand, or any successor currency;
“ZAR-JIBAR-SAFEX”	the mid-market rate for deposits in ZAR for a period of the Designated Maturity which appears on the Reuters Screen SAFEX Page as at 11h00, Johannesburg time on the relevant date, or any successor rate; and
“Zero Coupon Notes”	Notes which will be offered and sold at a discount to their Principal Amount or at par and will not bear interest other than in the case of late payment.

2. ISSUE

- 2.1 Notes may at any time and from time to time be issued by the Issuer without the consent of the then existing Noteholders, subject to the MFMA, in Tranches pursuant to the Programme. A Tranche of Notes may, together with a further Tranche or Tranches, form a Series of Notes issued under the Programme.
- 2.2 The Noteholders are by virtue of their subscription for or purchase of the Notes, deemed to have notice of, and are entitled to the benefit of, and are subject to, all the provisions of the Applicable Pricing Supplement and the Agency Agreement.
- 2.3 The Applicable Pricing Supplement for each Tranche of Notes is (to the extent relevant) incorporated herein for the purposes of those Notes and supplements these Terms and Conditions. The Applicable Pricing Supplement may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with these Terms and Conditions, replace or modify these Terms and Conditions for the purposes of those Notes.
- 2.4 Capitalised expressions used in these Terms and Conditions and not herein defined shall bear the meaning assigned to them in the Applicable Pricing Supplement.

3. FORM AND DENOMINATION

3.1 General

Notes will be issued in such denominations as may be determined by the Issuer and as indicated in the Applicable Pricing Supplement.

All payments in relation to the Notes will be made in South African Rand.

Each Note shall be a Senior Note or a Subordinated Note, as specified in the Applicable Pricing Supplement. Any Note may be a Partly Paid Note, Instalment Note, Exchangeable Note or an Extendible Note. Each Note, whether a Senior Note or a Subordinated Note, may be a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Indexed Interest Note, an Indexed Redemption Amount Note, a Mixed Rate Note or a combination of any of the foregoing or such other types of Notes as may be determined by the Issuer, as specified in the Applicable Pricing Supplement.

The Redemption Date of all or part of any Extendible Notes may be extended at the option of the Issuer, after the Issuer has given the relevant Noteholders the Requisite Notice indicated in the Applicable Pricing Supplement in accordance with Condition 17. Such Redemption Date may be extended by the Issuer one or more times by such days or multiple of days specified in the Applicable Pricing Supplement.

Listed and/or unlisted Notes may be issued under the Programme.

Noteholders of Notes that are not listed on the Bond Market of the JSE will have no recourse against the JSE or BESA Guarantee Fund established under Part D, section 8 of the Market Association Rules of the Bond Traders Association. Unlisted Notes are not regulated by the JSE.

3.2 Registered Notes

Each Tranche of Registered Notes will be issued in the form of a Global Certificate, which will be deposited with and registered in the name of, and for the account of the Central Securities Depository's Nominee. An owner of a Beneficial Interest in the Notes represented by a Global Certificate shall be entitled to exchange such Beneficial Interest for an Individual Certificate in accordance with Condition 13. A Global Certificate may be replaced by the issue of uncertificated securities in terms of section 37 of the Securities Services Act.

3.3 **Uncertificated Notes**

Uncertificated Notes will be issued in uncertificated form in terms of section 37 of the Securities Services Act and will not be represented by any certificate or written instrument. A Tranche of Notes issued in uncertificated form will be held in the Central Securities Depository, and the Central Securities Depository's Nominee will be named in the Register as the registered Noteholder of that Tranche of Notes. An owner of a Beneficial Interest in Uncertificated Notes held in the Central Securities Depository shall be entitled to exchange such Beneficial Interest for an Individual Certificate in accordance with Condition 13.

3.4 **Unlisted Registered Notes**

Unlisted Registered Notes will be issued in definitive registered form and will be represented by Individual Certificates.

4. **TITLE**

4.1 **Registered Notes**

Subject as set out below, title to Registered Notes will pass upon registration of transfer in the Register in accordance with Condition 14.1. The Issuer and the Transfer Agent may deem and treat the registered holder of any Registered Note as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes and shall not be bound to enter any trust in the Register or to take notice of or to accede to the execution of any trust (express, implied or constructive) to which any Note may be subject.

4.2 **Unlisted Registered Note**

Title to Unlisted Registered Notes will pass upon registration of transfer in the Register in accordance with Condition 14.2. The Issuer and the Transfer Agent may deem and treat the registered holder of any Unlisted Registered Note as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes and shall not be bound to enter any trust in the Register or to take notice of or to accede to the execution of any trust (express, implied or constructive) to which any Note may be subject.

4.3 **Uncertificated Notes**

Title to Uncertificated Notes will pass in accordance with Condition 14.3. The Issuer and the Transfer Agent may deem and treat the registered holder thereof as the absolute owner thereof (whether or not overdue and notwithstanding any notice of any previous loss or theft thereof) for all purposes and shall not be bound to enter any trust in the Register or to take notice of or to accede to the execution of any trust (express, implied or constructive) to which any Note may be subject.

5. **STATUS OF NOTES**

5.1 **Status of Senior Notes**

Unless otherwise specified in the Applicable Pricing Supplement, Senior Notes are direct, unconditional, unsubordinated and unsecured obligations of the Issuer and rank *pari passu* among themselves and, subject to Condition 6 and save for certain debts required to be preferred by law, rank equally with all other present and future unsecured and unsubordinated obligations of the Issuer from time to time owing.

5.2 Status of Subordinated Notes

Subordinated Notes constitute direct, unconditional, unsecured and subordinated obligations of the Issuer and rank *pari passu* among themselves and at least *pari passu* with all other present and future unsecured and subordinated obligations of the Issuer, save for those that have been provided preferential rights by law.

Subject to applicable law, in the event of the dissolution of the Issuer or if the Issuer is wound-up, the claims of the persons entitled to be paid amounts due in respect of Subordinated Notes shall be subordinated to all other claims in respect of any other indebtedness of the Issuer except for other Subordinated Indebtedness (as defined below). Accordingly, no amount due on the Subordinated Notes shall be eligible for set-off or shall be payable to any person entitled to be paid such amount in respect of the obligations of the Issuer thereunder until all other indebtedness of the Issuer which is admissible in any such dissolution or winding-up (other than Subordinated Indebtedness) has been paid or discharged in full.

“**Subordinated Indebtedness**” means for the purposes of this Condition 5.2, any indebtedness of the Issuer, including any guarantee given by the Issuer, under which the right of payment of the person(s) entitled thereto is, or is expressed to be, or is required by any present or future agreement of the Issuer to be, subordinated to the rights of all un-subordinated creditors of the Issuer in the event of the dissolution or winding-up of the Issuer.

6. NEGATIVE PLEDGE

- 6.1 So long as any of the Senior Notes remain outstanding, the Issuer will not create any Encumbrance (as defined below) other than a Permitted Encumbrance upon the whole or any part of its present or future assets or revenues to secure any of its present or future Indebtedness without making effective provision whereby all Senior Notes shall be directly secured equally and rateably with such Indebtedness and any such instrument creating such Encumbrance shall expressly provide therefor, unless such other security as may be approved by Extraordinary Resolution of the holders of Senior Notes is provided or, the provision of any such security is waived by an Extraordinary Resolution of the holders of those Senior Notes.
- 6.2 The Issuer shall be entitled but not obliged, to form, or procure the formation of, a trust or trusts or appoint, or procure the appointment of, an agent or agents to hold any such rights of security for the benefit or on behalf of such Noteholders.

7. INTEREST

7.1 Interest on Fixed Rate Notes

Except if otherwise specified in the Applicable Pricing Supplement, interest on Fixed Rate Notes will be paid on a six-monthly basis, on the Interest Payment Dates.

Each Fixed Rate Note bears interest on its Principal Amount (or, if it is a Partly Paid Note, the amount paid up) from (and including) the Interest Commencement Date to (but excluding) the Redemption Date at the rate(s) per annum equal to the Fixed Interest Rate(s). Such interest shall fall due for payment in arrear on the Interest Payment Date(s) in each year and on the date of early redemption in accordance with Condition 9 or the Redemption Date, as the case may be, if either such date does not fall on an Interest Payment Date. The first payment of interest will be made on the Interest Payment Date next following the Interest Commencement Date.

Unless otherwise specified, the interest in respect of any six-monthly period shall be calculated by dividing the Fixed Interest Rate by two and multiplying the product by the Principal Amount (or, if it is a Partly Paid Note, the amount paid up), provided that:

- (a) if an Initial Broken Amount is specified in the Applicable Pricing Supplement, then the first Interest Amount shall equal the Initial Broken Amount specified in the Applicable Pricing Supplement; and
- (b) if a Final Broken Amount is specified in the Applicable Pricing Supplement, then the final Interest Amount shall equal the Final Broken Amount.

Save as provided in the preceding paragraphs, if interest is required to be calculated for a period other than one year (in the case of annual interest payments) or other than six months (in the case of semi-annual interest payments), as the case may be, such interest shall be calculated on the basis of the actual number of days in such period divided by 365.

7.2 Interest on Floating Rate Notes

7.2.1 *Interest Payment Dates*

Each Floating Rate Note bears interest on its Principal Amount (or, if it is a Partly Paid Note, on the amount paid up) from (and including) the Interest Commencement Date to (but excluding the Maturity Date) at the rate equal to the Interest Rate. Such interest shall fall due for payment in arrears on the Interest Payment Date(s) in each year and on the date of early redemption in accordance with Condition 9 or the Redemption Date, as the case may be, if either such date does not fall on an Interest Payment Date. The first payment of interest will be made on the Interest Payment Date next following the Interest Commencement Date.

7.2.2 *Interest Rate*

The Interest Rate payable from time to time in respect of the Floating Rate Notes will be determined:

- (a) on the basis of ISDA Determination; or
- (b) on the basis of Screen Rate Determination; or
- (c) on such other basis as may be determined by the Issuer,

all as indicated in the Applicable Pricing Supplement.

7.2.3 *ISDA Determination*

Where ISDA Determination is specified in the Applicable Pricing Supplement as the manner in which the Interest Rate is to be determined, the Interest Rate for each Interest Period will be the relevant ISDA Rate (as defined below) plus or minus (as indicated in the Applicable Pricing Supplement) the Margin (if any).

For the purposes of this Condition 7.2.3:

“**ISDA Rate**” for an Interest Period means a rate equal to the Floating Rate that would be determined by such Transfer Agent as is specified in the Applicable Pricing Supplement under a notional interest rate swap transaction if that Transfer Agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

- (a) the Floating Rate Option is as specified in the Applicable Pricing Supplement;
- (b) the Designated Maturity is the period specified in the Applicable Pricing Supplement; and

- (c) the relevant Reset Date is either: (i) if the applicable Floating Rate Option is based on the ZAR-JIBAR-SAFEX on the first day of that Interest Period; or (ii) in any other case, as specified in the Applicable Pricing Supplement.

“Floating Rate”, “Floating Rate Option”, “Designated Maturity” and “Reset Date” have the meanings given to those expressions in the ISDA Definitions.

When this Condition 7.2.3 applies, in respect of each Interest Period such agent as is specified in the Applicable Pricing Supplement will be deemed to have discharged its obligations under Condition 7.2.6 in respect of the determination of the Interest Rate if it has determined the Interest Rate in respect of such Interest Period in the manner provided in this Condition 7.2.3.

7.2.4

Screen Rate Determination

Where Screen Rate Determination is specified in the Applicable Pricing Supplement as the manner in which the Interest Rate is to be determined, the Interest Rate for each Interest Period will, subject as provided below, be either:

- (a) the offered quotation (if there is only one quotation on the Relevant Screen Page); or
- (b) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

for the Reference Rate(s) which appears or appear as the case may be, on the Relevant Screen Page as at 11h00 (Johannesburg time) on the Interest Determination Date in question, plus or minus (as indicated in the Applicable Pricing Supplement) the Margin (if any), all as determined by the Calculation Agent. If five or more such offered quotations are available on the Relevant Screen Page the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by such agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

If the Relevant Screen Page is not available or if, in the case of (a) above in this Condition 7.2.4, no such offered quotation appears or, in the case of (b) above in this Condition 7.2.4, fewer than three such offered quotations appear, in each case at the time specified in the preceding paragraph, the Calculation Agent shall request the principal Johannesburg office of each of the Reference Banks (as defined below) to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately 11h00 (Johannesburg time) on the Interest Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Interest Rate for such Interest Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place with 0.000005 being rounded upwards) of such offered quotations plus or minus (as appropriate) the Margin (if any), all as determined by the Calculation Agent.

If the Interest Rate cannot be determined by applying the provisions of the preceding paragraphs of this Condition 7.2.4, the Interest Rate for the relevant Interest Period shall be the rate per annum which the Calculation Agent determines as being the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the rates, as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any two or more of them, at which such banks offered, at approximately 11h00 (Johannesburg time) on the relevant Interest Determination Date, in respect of deposits in an amount approximately equal to the Principal Amount of the Notes of the relevant Series, for a period equal to that which would have been used for the Reference Rate, to Reference Banks in the Johannesburg

inter-bank market plus or minus (as appropriate) the Margin (if any). If fewer than two of the Reference Banks provide the Calculation Agent with such offered rates, the Interest Rate for the relevant Interest Period will be determined by the Calculation Agent as the arithmetic mean (rounded as provided above) of the rates for deposits in an amount approximately equal to the Principal Amount of the Notes of the relevant Series, for a period equal to that which would have been used for the Reference Rate, quoted at approximately 11h00 (Johannesburg time) on the relevant Interest Determination Date, by four leading banks in Johannesburg (selected by the Calculation Agent and approved by the Issuer) plus or minus (as appropriate) the Margin (if any). If the Interest Rate cannot be determined in accordance with the foregoing provisions of this paragraph, the Interest Rate shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period, in place of the Margin relating to that last preceding Interest Period).

If the Reference Rate from time to time in respect of Floating Rate Notes is specified in the Applicable Pricing Supplement as being other than the ZAR-JIBAR-SAFEX rate, the Interest Rate in respect of such Notes will be determined, in the manner provided above, or as may be provided in the Applicable Pricing Supplement.

“Reference Banks” means for the purposes of this Condition 7.2.4 four leading banks in the South African inter-bank market selected by the Calculation Agent and approved by the Issuer.

7.2.5 *Minimum and/or Maximum Interest Rate*

If the Applicable Pricing Supplement specifies a Minimum Interest Rate for any Interest Period, then the Interest Rate for such Interest Period shall in no event be less than such Minimum Interest Rate and/or if it specifies a Maximum Interest Rate for any Interest Period, then the Interest Rate for such Interest Period shall in no event be greater than such Maximum Interest Rate.

7.2.6 *Determination of Interest Rate and calculation of Interest Amount*

The Calculation Agent will, in the case of Floating Rate Notes, at or as soon as practical after each time at which the Interest Rate is to be determined, determine the Interest Rate and calculate the Interest Amount for the relevant Interest Period. Unless stated otherwise in the Applicable Pricing Supplement, each Interest Amount shall be calculated by multiplying the Interest Rate by the Principal Amount, then multiplying the product by the applicable Day Count Fraction and rounding the resultant product to the nearest smallest denomination of the Specified Currency, half of any such denomination being rounded upwards.

“Day Count Fraction” means in respect of the calculation of the Interest Amount for any Interest Period:

- (a) if **“Actual/365”**, **“Act/365”**, **“Actual/Actual”** or **“Act/Act”** is specified in the Applicable Pricing Supplement, the actual number of days in the Interest Period in respect of which payment is being made divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (i) the actual number of days in that portion of the Interest Period falling in a leap year divided by 365 and (ii) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365); or
- (b) if **“Actual/365 (Fixed)”**, **“Act/365 (Fixed)”**, **“A/365 (Fixed)”** or **“A/365F”** is specified in the Applicable Pricing Supplement, the actual number of days in the Interest Period in respect of which payment is being made divided by 365;

or

- (c) if “**Actual/360**”, “**Act/360**” or “**A/360**” is specified in the Applicable Pricing Supplement, the actual number of days in the Interest Period in respect of which payment is being made divided by 360; or
- (d) if “**30/360**”, “**360/360**” or “**Bond Basis**” is specified in the Applicable Pricing Supplement, the number of days in the Interest Period in respect of which payment is being made divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (i) the last day of the Interest Period is the 31st day of a month but the first day of the Interest Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month or (ii) that last day of the Interest Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month)); or
- (e) such other calculation method as is specified in the Applicable Pricing Supplement.

7.2.7

Notification of Interest Rate and Interest Amount

The Calculation Agent (or such other agent as is specified in the Applicable Pricing Supplement) will cause the Interest Rate and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer, the Paying Agent, the Transfer Agent, the Noteholders, any financial exchange on which the relevant Floating Rate Notes are for the time being listed (if applicable) and any central securities depository in which Certificates in respect of the Notes are immobilised (if applicable), as soon as possible after their determination but not later than the 4th (fourth) Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to the Issuer, the Transfer Agent, the Paying Agent, the Noteholders, each financial exchange on which the relevant Floating Rate Notes are for the time being listed (if applicable) and any central securities depository in which Certificates in respect of the Notes are immobilised (if applicable).

7.2.8

Certificates to be Final

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 7.2 by the Calculation Agent shall, in the absence of wilful deceit, bad faith, manifest error or dispute as set out hereunder, be binding on the Issuer, the Transfer Agent, the Paying Agent, and all Noteholders, and no liability to the Issuer or the Noteholders shall attach to the Transfer Agent, the Calculation Agent or the Paying Agent (as the case may be) in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions. Where the Issuer acts as the Calculation Agent and in the event that Noteholders holding not less than 25% in aggregate Principal Amount of the Notes for the time being Outstanding, deliver to the Issuer a written notice of objection to any determination made by the Issuer within 5 (five) Business Days of notification of the Interest Rate and Interest Amount in accordance with Condition 7.2.7, such determination shall not be regarded as final and upon such notification, the Issuer shall request the chief executive officer for the time being of the JSE to appoint an independent third party to make such determination. Such independent third party shall make such determination promptly as an expert and not as an arbitrator and their determination, in the absence of wilful

deceit, bad faith or manifest error, shall be binding on the Issuer and all Noteholders, and no liability to the Issuer or the Noteholders shall attach to such third party in connection with the exercise or non-exercise by them of their powers, duties and discretions pursuant to such provisions. The costs of procuring and effecting such determination shall be borne by the Issuer in the event that the determination of such third party differs from that of the Issuer as Calculation Agent and shall be borne by the Noteholders disputing such determination by the Issuer in the event that the determination of such third party confirms that of the Issuer as Calculation Agent.

7.3 Interest on Mixed Rate Notes

The interest rate payable from time to time on Mixed Rate Notes shall be the interest rate payable on any combination of Fixed Rate Notes, Floating Rate Notes, Zero Coupon Notes or Indexed Notes for respective periods, each as specified in the Applicable Pricing Supplement. During each such applicable period, the interest rate on the Mixed Rate Notes shall be determined and fall due for payment on the basis that such Mixed Rate Notes are Fixed Rate Notes, Floating Rate Notes, Zero Coupon Notes or Indexed Notes, as the case may be.

7.4 Interest on Indexed Notes

In the case of Indexed Notes, if the Interest Rate or Final Redemption Amount falls to be determined by reference to an index and/or a formula, such rate or amount payable shall be determined in the manner specified in the Applicable Pricing Supplement. Any interest payable shall fall due for payment on the Interest Payment Date(s).

7.5 Interest on Partly Paid Notes

In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue on the paid-up Principal Amount of such Notes and otherwise as specified in the Applicable Pricing Supplement.

7.6 Interest on Instalment Notes

In the case of Instalment Notes, interest will accrue on the amount outstanding on the relevant Note from time to time and otherwise as specified in the Applicable Pricing Supplement.

7.7 Interest on Extendible Notes

If the Redemption Date of Extendible Notes is extended by the Issuer, the Interest Rate in respect of the Principal Amount Outstanding will be increased by the Step-up Margin, from and including the Redemption Date to but excluding the Actual Redemption Date.

7.8 Accrual of Interest

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date of its redemption unless, upon due presentation thereof, payment of principal is improperly withheld or refused. In such event, interest will accrue at the SAFEX Overnight Deposit Rate (to be found on the Reuters Screen SAFEX page as at 11h00 (Johannesburg time) on the presentation date, or any successor rate) until whichever is the earlier of:

- (a) the date on which all amounts due in respect of such Note have been paid; and
- (b) the date on which the full amount of the moneys payable has been received by the Paying Agent and notice to that effect has been given to Noteholders in accordance with Condition 17.

In the event that the SAFEX Overnight Deposit Rate is not ascertainable from the relevant

screen page at the time contemplated above, the Calculation Agent shall follow the procedure contemplated in Condition 7.2.4 to ascertain a rate.

7.9 **Business Day Convention**

If any Interest Payment Date (or other date) which is specified in the Applicable Pricing Supplement to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

- (a) the “**Floating Rate Business Day Convention**”, such Interest Payment Date (or other date) shall in any case where Interest Periods are specified in accordance with Condition 7.2.5, be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event: (i) such Interest Payment Date (or other date) shall be brought forward to the first preceding Business Day; and (ii) each subsequent Interest Payment Date (or other date) shall be the last Business Day in the month which falls the number of months or other period specified as the Interest Period in the Applicable Pricing Supplement after the preceding applicable Interest Payment Date (or other date) has occurred; or
- (b) the “**Following Business Day Convention**”, such Interest Payment Date (or other date) shall be postponed to the next day which is a Business Day; or
- (c) the “**Modified Following Business Day Convention**”, such Interest Payment Date (or other date) shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date (or other such date) shall be brought forward to the first preceding Business Day; or
- (d) the “**Preceding Business Day Convention**”, such Interest Payment Date (or other date) shall be brought forward to the first preceding Business Day.

8. **PAYMENTS**

8.1 **General**

Payments of principal and/or interest in respect of Registered Noted and Uncertificated Notes will be made to the Central Securities Depository and/or the Central Securities Depository Participant, as shown in the Register on the Last Day to Register, and the Issuer will be discharged by proper payment to the Central Securities Depository and/or the Central Securities Depository Participant, in respect of each amount so paid. Each of the persons shown in the records of the Central Securities Depository and the Central Securities Depository Participant, as the case may be, shall look solely to the Central Securities Depository or the Central Securities Depository Participant, as the case may be, for his share of each payment so made by the Issuer to the registered holder of Registered Notes and Uncertificated Notes.

Payments of principal and/or interest in respect of holders of Individual Certificates shall be made to the registered holder of such Note, as set forth in the Register on the close of business on the Last Day to Register (as defined in the Applicable Pricing Supplement). In addition to the above, in the case of a final redemption payment, the holder of the Individual Certificate shall be required, on or before the Last Day to Register prior to the Maturity Date, to surrender such Individual Certificate at the offices of the Transfer Agent.

8.2 **Registered Notes**

Only Noteholders of Registered Notes reflected in the Register at 17h00 (Johannesburg time) on the relevant Last Day to Register shall be entitled to payments of interest and/or principal in respect of such Notes.

8.3 **Unlisted Registered Notes**

Only Noteholders of Unlisted Registered Notes reflected in the Register at 17h00 (Johannesburg time) on the relevant Last Day to Register shall be entitled to payments of interest and/or principal in respect such Notes.

Payments of Instalment Amounts in respect of Unlisted Registered Notes will be made to the holder of such Note only following presentation and surrender by the holder of the Certificate endorsing such Unlisted Registered Note. Payments of the final instalment of principal in respect of Unlisted Registered Notes will be made to the holder of such Note only following presentation and surrender by the holder of such Note of the Certificate evidencing such Unlisted Registered Notes.

8.4 **Method of Payment**

Payments of interest and principal will be made in the Specified Currency by electronic funds transfer.

If the Issuer is prevented or restricted directly or indirectly from making any payment by electronic funds transfer in accordance with the preceding paragraph (whether by reason of strike, lockout, fire, explosion, floods, riot, war, accident, act of God, embargo, legislation, shortage of or breakdown in facilities, civil commotion, unrest or disturbances, cessation of labour, Government interference or control or any other cause or contingency beyond the control of the Issuer), the Issuer shall make such payment by cheque (or by such number of cheques as may be required in accordance with applicable banking law and practice) to make payment of any such amounts. Such payments by cheque shall be sent by post to:

- (a) the address of the Noteholder of Registered Notes as set forth in the Register or, in the case of joint Noteholders of Registered Notes, the address set forth in the Register of that one of them who is first named in the Register in respect of that Note; or
- (b) the address of the Noteholder of Unlisted Registered Notes as set forth in the Register or, in the case of joint Noteholders of Unlisted Registered Notes, the address set forth in the Register of that one of them who is first named in the Register in respect of that Note; or
- (c) the address of the Noteholder of Uncertificated Notes as set forth in the Register.

Each such cheque shall be made payable to the relevant Noteholder or, in the case of joint Noteholders of Registered Notes or Unlisted Registered Notes, the first one of them named in the Register. Cheques may be posted by ordinary post, provided that neither the Issuer nor the Paying Agent shall be responsible for any loss in transmission and the postal authorities shall be deemed to be the agent of the Noteholders for the purposes of all cheques posted in terms of this Condition 8.4.

In the case of joint Noteholders of Registered Notes or Unlisted Registered Notes payment by electronic funds transfer will be made to the account of the Noteholder first named in the Register. Payment by electronic transfer to the Noteholder first named in the Register shall discharge the Issuer of its relevant payment obligations under the Notes.

Payments will be subject in all cases to any taxation or other laws, directives and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 10.

8.5 **Surrender of Certificates**

No payment in respect of the final redemption of a Registered Note or Unlisted Registered Note shall be made until 10 (ten) days after the date on which the Certificate in respect of the Registered or Unlisted Registered Notes to be redeemed has been surrendered to the Paying Agent.

Payments of interest in respect of Unlisted Registered Notes shall be made in accordance with Condition 8.4 only following presentation of the Certificate to the Paying Agent.

Payments of Instalment Amounts in respect of Instalment Notes which are Unlisted Registered Notes, shall be made by the Issuer in accordance with Condition 8.4 only following surrender of the relevant Certificate to the Paying Agent.

No payment in respect of the final redemption of an Unlisted Registered Note shall be made until the later of:

- (a) the Relevant Date; and
- (b) the date on which the Certificate in respect of the Note to be redeemed has been surrendered to the Paying Agent.

Upon final redemption as aforesaid, all unmatured interest relating to Unlisted Registered Notes (whether or not surrendered with the relevant Certificate) shall become void and no payment shall be made thereafter in respect of them.

Documents required to be presented and/or surrendered to the Paying Agent in accordance with these Terms and Conditions shall be so presented and/or surrendered at the office of the Paying Agent specified in the Applicable Pricing Supplement.

8.6 **Payment Day**

If the date for payment of any amount in respect of any Note is not a Business Day and is not subject to adjustment in accordance with a Business Day Convention, the holder thereof shall not be entitled to payment until the next following Business Day in the relevant place for payment and shall not be entitled to further interest or other payment in respect of such delay.

8.7 **Interpretation of principal and interest**

Any reference in these Terms and Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

- (a) any additional amounts which may be payable with respect to principal under Condition 10;
- (b) the Final Redemption Amount of the Notes or the Early Redemption Amount of the Notes, as the case may be;
- (c) the Optional Redemption Amount(s) (if any) of the Notes;
- (d) in relation to Instalment Notes, the Instalment Amounts;
- (e) in relation to Zero Coupon Notes, the Amortised Face Amount (as defined under Condition 9.5); and
- (f) any premium and any other amounts which may be payable under or in respect of the Notes, but excluding for the avoidance of doubt, interest.

Any reference in these Terms and Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 10.

9. REDEMPTION AND PURCHASE

9.1 At maturity

Unless previously redeemed or purchased and cancelled as specified below, each Note will be redeemed in the Specified Currency by the Issuer at its Final Redemption Amount specified in, or determined in the manner specified in, the Applicable Pricing Supplement on the Redemption Date.

The Issuer shall be entitled to extend the Redemption Date of all or part of the Principal Amount Outstanding of Extendible Notes. If such option is exercised by the Issuer in respect of part of the Principal Amounts Outstanding of such Extendible Notes, then the Issuer shall redeem such portion of Notes not so extended at the Partial Redemption Amount and subject to any further extension, the redemption of the balance, being the Principal Amount Outstanding will be extended to a date specified in the Applicable Pricing Supplement or otherwise notified to Noteholders. For the avoidance of doubt, the Issuer is not obliged to treat all Noteholders of Extendible Notes in the same manner.

9.2 Redemption for tax reasons

Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time (in the case of Notes other than Floating Rate Notes or Indexed Notes or Mixed Rate Notes having an interest rate then determined on a floating or indexed basis) or on any Interest Payment Date (in the case of Floating Rate Notes, Indexed Notes or Mixed Rate Notes having an interest rate then determined on a floating or indexed basis), on giving not less than 30 (thirty) nor more than 60 (sixty) days' notice to the Noteholders in accordance with Condition 17 (which notice shall be irrevocable), if the Issuer is of the reasonable opinion that:

- (a) on the occasion of the next payment due under the Notes, the Issuer has or will become obliged to pay additional amounts as provided for or referred to in Condition 10 as a result of any change in or amendment to, the laws or regulations of the country of domicile (or residence for tax reasons) of the Issuer or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date; and
- (b) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

provided that no such notice of redemption shall be given earlier than 90 (ninety) days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due. On the date of publication of any notice of redemption pursuant to this Condition 9.2, the Issuer shall deliver to the Transfer Agent and the Paying Agent at their registered offices, for inspection by any holder of Notes so redeemed, a certificate signed by two authorised signatories of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment.

Notes redeemed for tax reasons pursuant to this Condition 9.2 will be redeemed at their Early Redemption Amount referred to in Condition 9.5, together (if appropriate) with interest accrued to (but excluding) the date of redemption.

9.3 **Redemption at the option of the Issuer**

If the Issuer is specified in the Applicable Pricing Supplement as having an option to redeem, the Issuer shall be entitled, having given:

- (a) the required notice set out in the Applicable Pricing Supplement to the Noteholders in accordance with Condition 17; and
- (b) not less than 7 (seven) days before giving the notice referred to in (a) above, notice to the Transfer Agent,

(both of which notices shall be irrevocable) to redeem all or some of the Notes then Outstanding on the Optional Redemption Date(s) and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the Applicable Pricing Supplement together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date(s).

Any such redemption amount must be of a nominal amount equal to or greater than the Minimum Redemption Amount or equal to or less than a Higher Redemption Amount, both as indicated in the Applicable Pricing Supplement. In the case of a partial redemption of Notes, the Notes to be redeemed ("**Redeemable Notes**") will be selected:

- (a) in the case of Redeemable Notes represented by Individual Certificates individually by lot;
- (b) in the case of Redeemable Notes represented by a Global Certificate in accordance with the Applicable Procedures,

and in each such case not more than 30 (thirty) days prior to the date fixed for redemption (such date of selection being hereinafter called the "**Selection Date**").

A list of the serial numbers of the Certificates of Unlisted Registered Notes will be published in accordance with Condition 17 not less than 15 (fifteen) days prior to the date fixed for redemption.

No exchange of Beneficial Interests in Notes represented by a Global Certificate or Uncertificated Notes for Individual Certificates will be permitted during the period from and including the Selection Date to and including the date fixed for redemption pursuant to this Condition 9.3 and notice to that effect shall be given by the Issuer to the Noteholders in the notice to Noteholders contemplated in paragraph (a) above.

Holders of Redeemable Notes shall surrender the Certificates, representing the Notes in accordance with the provisions of the notice given to them by the Issuer as contemplated above. Where only a portion of the Notes represented by such Certificates are redeemed, the Transfer Agent shall deliver new Certificates to such Noteholders in respect of the balance of the Notes.

9.4 **Redemption at the option of Senior Noteholders**

If Noteholders of Senior Notes are specified in the Applicable Pricing Supplement as having an option to redeem any Senior Notes, such Noteholders may redeem the Senior Notes represented by an Individual Certificate, by delivering to the Issuer and the Transfer Agent in accordance with Condition 17, a duly executed notice ("**Put Notice**"), at least 15 (fifteen) calendar days but not more than 30 (thirty) calendar days, prior to the applicable Optional Redemption Date. The redemption amount specified in such Put Notice in respect of any such Senior Note must be of a nominal amount equal to or greater than the Minimum Redemption Amount or equal to or less than the Higher Redemption Amount, each as indicated in the Applicable Pricing Supplement.

The redemption of the Senior Notes represented by a Global Certificate or by Uncertificated Notes shall take place in accordance with the Applicable Procedures.

Where a Noteholder redeems the Senior Notes represented by an Individual Certificate, such Noteholder shall deliver the Individual Certificate, to the Transfer Agent for cancellation by attaching it to a Put Notice. A holder of an Individual Certificate shall specify its payment details in the Put Notice for the purposes of payment of the Optional Redemption Amount.

The Issuer shall proceed to redeem such Senior Notes (in whole but not in part) in accordance with the terms of the Applicable Pricing Supplement, at the Optional Redemption Amount and on the Optional Redemption Date, together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date(s).

The delivery of Put Notices shall be required to take place during normal office hours of the Transfer Agent. Put Notices shall be available from the registered office of the Issuer.

The Issuer shall have no obligation to remedy any defects in any Put Notice or bring any such defects to the attention of any Noteholder and shall not be liable whatsoever for any claims or losses arising in connection with a defective or invalid Put Notice.

9.5 **Early Redemption Amounts**

For the purpose of Condition 9.2 and Condition 12 (and otherwise as stated herein), the Notes will be redeemed at the Early Redemption Amount calculated as follows:

- (a) in the case of Notes with a Final Redemption Amount equal to the Principal Amount, at the Final Redemption Amount thereof; or
- (b) in the case of Notes (other than Zero Coupon Notes) with a Final Redemption Amount which is or may be less or greater than the Issue Price, to be determined in the manner specified in the Applicable Pricing Supplement, at that Final Redemption Amount or, if no such amount or manner is so specified in the Pricing Supplement, at their Principal Amount; or
- (c) in the case of Zero Coupon Notes, at an amount (the "**Amortised Face Amount**") equal to the sum of: (i) the Reference Price; and (ii) the product of the Implied Yield (compounded semi-annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) the date fixed for redemption or, as the case may be, the date upon which such Note becomes due and payable, or such other amount as is provided in the Applicable Pricing Supplement.

Where such calculation is to be made for a period which is not a whole number of years, it shall be calculated on the basis of actual days elapsed divided by 365, or such other calculation basis as may be specified in the Applicable Pricing Supplement.

9.6 **Instalment Notes**

Instalment Notes will be redeemed at the Instalment Amounts and on the Instalment Dates. In the case of early redemption, the Early Redemption Amount will be determined pursuant to Condition 9.5.

9.7 **Partly Paid Notes**

If the Notes are Partly Paid Notes, they will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition 9 and the Applicable Pricing Supplement.

9.8 **Exchangeable Notes**

If the Notes are Exchangeable Notes, they will be redeemed, whether at maturity, early redemption or otherwise in the manner indicated in the Applicable Pricing Supplement.

Exchangeable Notes in respect of which Mandatory Exchange is indicated in the Applicable Pricing Supplement as applying, or upon the exercise by the Noteholder of the Noteholders' Exchange Right (if applicable), will be redeemed by the Issuer delivering to each Noteholder

so many of the Exchange Securities as are required in accordance with the Exchange Price. The delivery by the Issuer of the Exchange Securities in the manner set out in the Applicable Pricing Supplement shall constitute the *in specie* redemption in full of such Notes.

9.9 **Purchases**

The Issuer may at any time purchase Notes at any price in the open market or otherwise. In the event of the Issuer purchasing Notes, such Notes may (subject to restrictions of any applicable law) be held, resold or, at the option of the Issuer, cancelled.

9.10 **Cancellation**

All Notes which are redeemed will forthwith be cancelled. Where only a portion of Notes represented by a Certificate are cancelled, the Transfer Agent shall deliver a Certificate to such Noteholder in respect of the balance of the Notes.

9.11 **Late payment on Zero Coupon Notes**

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note, pursuant to Condition 12 or upon its becoming due and repayable as provided in Condition 12, is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in paragraph (c) under Condition 9.5, as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of: (i) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and (ii) where relevant, 5 (five) days after the date on which the full amount of the moneys payable has been received by the Central Securities Depository, and notice to that effect has been given to the Noteholders in accordance with Condition 17.

10. **TAXATION**

As at the date of issue of this Programme Memorandum, all payments of principal or interest in respect of the Notes will be made without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges (“**taxes**”) of whatever nature imposed or levied by or in or on behalf of the country of domicile (or residence for tax purposes) of the Issuer or any political subdivision or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law. The payment of any taxes by the Issuer as an agent or representative tax payer for a Noteholder shall not constitute a withholding or deduction for the purposes of this Condition 10. In the event of any such withholding or deduction in respect of taxes being levied or imposed on interest or principal payments on Debt Instruments (as defined below), the Issuer shall pay such additional amounts as shall be necessary in order that the net amounts received by the Noteholders after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes, as the case may be, in the absence of such withholding or deduction except that no such additional amounts shall be payable with respect to any Note:

- (a) held by or on behalf of a Noteholder, who is liable for such taxes in respect of such Note by reason of it having some connection with the country of domicile (or residence for tax purposes) of the Issuer other than the mere holding of such Note or the receipt of principal or interest in respect thereof; or
- (b) held by or on behalf of a Noteholder which would not be liable or subject to the withholding or deduction by complying with any statutory requirement or by making a declaration of non-residence or other similar claim for exemption to the relevant tax authority (the effect of which is not to require the disclosure of the identity of the relevant Noteholder); or

- (c) where such withholding or deduction is in respect of taxes levied or imposed on interest or principal payments only by virtue of the inclusion of such payments in the Taxable Income or Taxable Gains (each as defined below) of any Noteholder; or
- (d) where (in the case of any payment of principal or interest which is conditional on surrender of the relevant Certificate in accordance with these Terms and Conditions) the relevant Certificate is surrendered for payment more than 30 (thirty) calendar days after the Relevant Date except to the extent that the relevant Noteholder would have been entitled to an additional amount on presenting the Certificate for payment on such thirtieth day; or
- (e) if such withholding or deduction arises through the exercise by revenue authorities of special powers in respect of tax defaulters; or
- (f) where the Noteholder is entitled to claim a tax reduction, credit or similar benefit in respect to such withholding or deduction in terms of the Noteholder's domestic tax laws or applicable double tax treaty.

For the purposes of this Condition 10:

- (i) “**Debt Instrument**” means any “instrument” as defined in section 24J(1) of the Income Tax Act;
- (ii) “**Taxable Income**” means any “taxable income” as defined in section 1 of the Income Tax Act;
- (iii) “**Taxable Gain**” means any “taxable capital gain” as defined in paragraph 1 of Schedule 8 to the Income Tax Act; and
- (iv) “**Income Tax Act**” means the Income Tax Act, 1962, as amended.

11. PRESCRIPTION

The Notes will become void unless presented for payment of principal and interest within a period of three years after the Relevant Date therefor save that any Certificate constituting a “*bill of exchange or other negotiable instrument*” in accordance with section 11 of the Prescription Act, 1969 will become void unless presented for payment of principal and interest within a period of six years from the Relevant Date.

12. EVENTS OF DEFAULT

a) *Events of Default relating to Senior Notes*

12.1 An Event of Default shall occur if:

- 12.1.1 the Issuer fails to pay any principal or interest under the Notes on its due date for payment and such failure continues for a period of 10 (ten) Business Days after the due date for such payment; or
- 12.1.2 the Issuer fails to perform or observe any of its other obligations under any of the Terms and Conditions and such failure continues for a period of 30 (thirty) calendar days after receipt by the Issuer of a notice from the Noteholders requiring same to be remedied; or
- 12.1.3 the Issuer fails to remedy a breach of Condition 6 and such failure continues for a period of 30 (thirty) calendar days after receipt by the Issuer of written notice from the holders of Senior Notes requiring same to be remedied; or
- 12.1.4 the Issuer defaults in the payment of the principal or interest, or any obligations in respect of Material Indebtedness of, or assumed or guaranteed by, the Issuer when and as the same shall become due and payable and where notice has been given to the Issuer of the default and, if such default shall have continued for more than the notice period (if any) applicable thereto and the time for payment of such interest or principal

or other obligation has not been effectively extended or if any such obligation in respect of Material Indebtedness of, or assumed or guaranteed by, the Issuer shall have become repayable before the due date thereof as a result of acceleration of maturity by reason of the occurrence of an event of default thereunder; or

- 12.1.5 any action, condition or thing, including the obtaining of any consent, licence approval or authorisation now or in future necessary to enable the Issuer to comply with its respective obligations under the Notes is not taken, fulfilled or done, or any such consent, licence, approval or authorisation shall be revoked, modified, withdrawn or withheld or shall cease to be in full force and effect resulting in the Issuer being unable to perform any of its payment or other obligations under the Notes; or
- 12.1.6 the Issuer becomes subject to any liquidation or judicial management order, whether provisional or final, or if any trustee, liquidator, curator, judicial manager or any similar officer is appointed in respect of the Issuer; or
- 12.1.7 an order is made or an effective Act of Parliament is passed for the winding-up of the Issuer, save for the purposes of a merger, consolidation or reorganisation in terms approved by Noteholders by way of an Extraordinary Resolution; or
- 12.1.8 an attachment, execution or other legal process is levied, enforced, issued or sued out on or against any Material Assets of the Issuer and is not discharged or stayed within 30 (thirty) days; or
- 12.1.9 the Issuer ceases or threatens to cease to carry on the whole or a material part of its business, save –
- 12.1.9.1 for the purposes of merger, amalgamation or reorganisation on terms approved by an Extraordinary Resolution of the Noteholders, or
- 12.1.9.2 as may be required by or in accordance with any legislation or Governmental directive;
- 12.1.10 the Issuer is unable to pay its debts, suspends or threatens to suspend payment of all or a material part of its aggregate Indebtedness, commences negotiations or takes any other step with a view to the deferral, rescheduling or other re-adjustment of all or a material part of its aggregate Indebtedness, proposes or makes a general assignment or an arrangement or a composition with or for the benefit of its creditors or a moratorium is agreed or declared in respect of or affecting all or a material part of the aggregate Indebtedness of the Issuer; or
- 12.1.11 proceedings are initiated against the Issuer or any step is taken by any person with a view to the seizure, compulsory acquisition or expropriation of Material Assets of the Issuer; or
- 12.1.12 the Issuer transfers, sells or otherwise disposes of the whole or a substantial part of its assets, undertakings or revenues save as approved by an Extraordinary Resolution of the Noteholders.
- 12.2 If the Issuer becomes aware of the occurrence of any Event of Default, the Issuer shall forthwith notify all Noteholders and the JSE.
- 12.3 Upon the happening of an Event of Default, any Noteholder may, by written notice to the Issuer at its registered office, effective upon the date of receipt thereof by the Issuer, declare the Notes held by such Noteholder to be forthwith due and payable. Upon receipt of that notice, such Notes, together with accrued interest (if any) to the date of payment, shall become forthwith due and payable at the Early Redemption Amount (as described in Condition 9.5).

(b) *Events of Default relating to Subordinated Notes*

An Event of Default shall occur in respect of Subordinated Notes if any one or more of the events contemplated in 12.1.1, 12.1.2, 12.1.5, 12.1.6, 12.1.8, 12.1.9, 12.1.10, and 12.1.11 above shall have occurred and be continuing, in which event the provisions of Conditions 12.2 and 12.3 shall apply mutatis mutandis.

13. DELIVERY, EXCHANGE AND REPLACEMENT OF CERTIFICATES

- 13.1 Upon the issue of Registered Notes, Unlisted Registered Notes or Uncertificated Notes, or upon notice from a Central Securities Depository Participant pursuant to Condition 13.3 requesting the exchange or partial exchange of a Beneficial Interest in Notes represented by a Global Certificate(s) or an Uncertificated Note for an Individual Certificate(s), the Transfer Agent shall deliver the relevant Individual Certificate(s).
- 13.2 Notes of each Tranche listed on the JSE will be issued in the form of Uncertificated Notes or in the form of the Global Certificate and will be lodged and immobilised in the Central Securities Depository and registered in the name, and for the account, of the Central Securities Depository's Nominee.
- 13.3 Any person holding a Beneficial Interest in the Notes may, in terms of the Applicable Procedures and through its nominated Central Securities Depository Participant, direct a written request to the Transfer Agent for an Individual Certificate representing the number of Notes to be delivered by the Issuer in exchange for such Beneficial Interest. The aggregate of the Principal Amounts of the Notes represented by such Individual Certificate shall be equivalent to the amount of such Beneficial Interest. The Transfer Agent shall deliver such Individual Certificate upon such written request no later than 14 (fourteen) days after receiving the written request of the holder of such Beneficial Interest in accordance with the Applicable Procedures, provided that, joint holders of a Beneficial Interest shall be entitled to receive only one Individual Certificate in respect of that joint holding and delivery to one of those joint holders shall be delivery to all of them.
- 13.4 Upon the receipt of a written request for delivery of an Individual Certificate in terms of Condition 13.3 in respect of Notes represented by a Global Certificate, the Global Certificate shall, in terms of the Applicable Procedures, be presented to the Transfer Agent for splitting and a new Global Certificate for the balance of the Notes (if any) still held by the Central Securities Depository's Nominee shall be delivered to the Central Securities Depository. The original Global Certificate shall be cancelled and retained by the Transfer Agent.
- 13.5 Certificates shall be provided (whether by way of issue, delivery or exchange) by the Issuer without charge, save as otherwise provided in these Terms and Conditions. Separate costs and expenses relating to the provision of Certificates and/or the transfer of Notes may be levied by other persons, such as a Central Securities Depository Participant, under the Applicable Procedures and such costs and expenses shall not be borne by the Issuer. The costs and expenses of delivery of Certificates otherwise than by ordinary post (if any) and, if the Issuer shall so require, taxes or governmental charges or insurance charges that may be imposed in relation to such mode of delivery shall be borne by the Noteholder.
- 13.6 Any person becoming entitled to Registered Notes, Unlisted Registered Notes or Uncertificated Notes in consequence of the death, sequestration or liquidation of the holder of such Notes may upon producing such evidence that he holds the position in respect of which he proposes to act under this Condition 13 or of his title as the Issuer and the Transfer Agent shall require, be registered himself as the holder of such Notes or, subject to the requirements of the Applicable Procedures and of this Condition 13, may transfer such Notes. The Issuer and the Paying Agent shall be entitled to retain any amount payable upon the Notes to which any person is so entitled until such person shall be registered as aforesaid or shall duly transfer the Notes.

- 13.7 If any Certificate is mutilated, defaced, stolen, destroyed or lost it may be replaced at the registered office of the Issuer or the office of the Transfer Agent specified in the Applicable Pricing Supplement, on payment by the claimant of such costs and expenses as may be incurred in connection therewith and the provision of such indemnity as the Issuer may reasonably require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

14. TRANSFER OF NOTES

14.1 Registered Notes

Beneficial Interests in Registered Notes evidenced by a Global Certificate may be transferred in terms of the Applicable Procedures in the Central Securities Depository. In order for any transfer of Registered Notes to be effected through the Register and for the transfer to be recognised by the Issuer, each transfer of a Registered Note:

- (a) must be embodied in a Transfer Form;
- (b) must be signed by the relevant Noteholder and the transferee, or any authorised representatives of that registered Noteholder and/or transferee;
- (c) shall only be in the Specified Denomination or a multiple thereof and consequently the Issuer will not recognise any fraction of the Specified Denomination; and
- (d) must be made by way of the delivery of the Transfer Form to the Transfer Agent together with the Certificate in question for cancellation or, if only part of the Notes represented by a Certificate is transferred, a new Certificate for the balance will be delivered to the transferor and the cancelled Certificate will be retained by the Transfer Agent.

The transferor of any Registered Notes represented by a Certificate shall be deemed to remain the owner thereof until the transferee is registered in the Register as the holder thereof.

Before any transfer is registered all relevant transfer taxes (if any) must have been paid and such evidence must be furnished as the Issuer may reasonably require as to the identity and title of the transferor and the transferee.

The Transfer Agent will, within 3 (three) Business Days of receipt by it of a valid Transfer Form (or such longer period as may be required to comply with any applicable taxation or other laws, regulations or Applicable Procedures), authenticate and deliver to the transferee (at the risk of the transferee) a new Certificate in respect of the Notes transferred.

No transfer will be registered while the Register is closed.

In the event of a partial redemption of Notes under Conditions 9.3 or 9.4 the Issuer and the Transfer Agent shall not be required:

- (a) to register the transfer of any Notes during the period beginning on the tenth day before the date of the partial redemption and ending on the date of the partial redemption (both inclusive); or
- (b) to register the transfer of any Note, or part of a Note, called for partial redemption.

14.2 Unlisted Registered Notes

In order for any transfer of Unlisted Registered Notes to be effected through the Register and for the transfer to be recognised by the Issuer, each transfer of a Unlisted Registered Note:

- (a) must be embodied in a Transfer Form;
- (b) must be signed by the relevant Noteholder and the transferee, or any authorised representatives of that Noteholder and/or transferee;

- (c) shall only be in the Specified Denomination or a multiple thereof and consequently the Issuer will not recognise any fraction of the Specified Denomination; and
- (d) must be made by way of the delivery of the Transfer Form to the Transfer Agent together with the Certificate in question for cancellation or, if only part of the Notes represented by a Certificate is transferred, a new Certificate for the balance will be delivered to the transferor and the cancelled Certificate will be retained by the Transfer Agent.

The transferor of any Unlisted Registered Notes represented by a Certificate shall be deemed to remain the owner thereof until the transferee is registered in the Register as the holder thereof.

Before any transfer is registered all relevant transfer taxes (if any) must have been paid and such evidence must be furnished as the Issuer may reasonably require as to the identity and title of the transferor and the transferee.

The Transfer Agent will, within 3 (three) Business Days of receipt by it of a valid Transfer Form (or such longer period as may be required to comply with any applicable taxation or other laws, regulations or Applicable Procedures), authenticate and deliver to the transferee (at the risk of the transferee) a new Certificate in respect of the Notes transferred.

No transfer will be registered while the Register is closed.

In the event of a partial redemption of Notes under Conditions 9.3 or 9.4 the Issuer and the Transfer Agent shall not be required:

- (a) to register the transfer of any Notes during the period beginning on the tenth day before the date of the partial redemption and ending on the date of the partial redemption (both inclusive); or
- (b) to register the transfer of any Note, or part of a Note, called for partial redemption.

14.3 **Uncertificated Notes**

Beneficial Interest in Uncertificated Notes held with the Central Securities Depository may be transferred only in terms of the Applicable Procedures.

Transfers of Beneficial Interests to and from clients of Central Securities Depository Participants occur by way of electronic book entry in the securities accounts maintained by the Central Securities Depository Participants for their clients, in accordance with the Applicable Procedures.

Transfers of Beneficial Interests among Central Securities Depository Participants occurs through electronic book entry in the central securities accounts maintained by the Central Securities Depository for the Central Securities Depository Participants, in accordance with the Applicable Procedures.

Transfers of Beneficial Interests in Notes represented by Uncertificated Notes will not be recorded in the Register and the Central Securities Depository's Nominee will continue to be reflected in the Register as the Noteholder of such Notes notwithstanding such transfers.

15. **REGISTER**

- 15.1 The Register shall be kept at the registered office of the Transfer Agent or unless the Issuer elects to appoint, in relation to a particular Tranche or Series of Notes, another entity as Transfer Agent in which event that other entity shall act as Transfer Agent in respect of that Tranche or Series of Notes, then at the office of that Transfer Agent specified in the Applicable Pricing Supplement. The Register shall reflect the number of Notes issued and

Outstanding and whether they are Uncertificated Notes, Registered Notes or Unlisted Registered Notes. The Register shall contain the name, address, and bank account details of the Noteholders. The Register shall set out the Principal Amount of the Notes issued to such Noteholder and shall show the date of such issue. The Register shall show the serial number of Certificates issued in respect of Notes. The Register shall be open for inspection during the normal business hours of the Issuer to any Noteholder or any person authorised in writing by any Noteholder. The Transfer Agent shall not be obliged to record any transfer while the Register is closed. The Transfer Agent shall not be bound to enter any trust into the Register or to take notice of any or to accede to any trust executed, whether express or implied, to which any Note may be subject. The Register shall be closed during the Books Closed Period.

- 15.2 The Transfer Agent shall alter the Register in respect of any change of name, address or bank account number of any of the Noteholders of any Uncertificated Notes, Registered Notes or Unlisted Registered Notes of which it is notified in accordance with these Terms and Conditions.

16. TRANSFER AGENT, CALCULATION AGENT AND PAYING AGENT

- 16.1 The Issuer is entitled to vary or terminate the appointment of the Transfer Agent, the Calculation Agent and the Paying Agent and/or appoint additional or other agents and/or approve any change in the specified office through which any agent acts, provided that there will at all times be a Transfer Agent, Calculation Agent and a Paying Agent with an office in such place as may be required by the Applicable Procedures. The Transfer Agent, Paying Agent and Calculation Agent act solely as the agents of the Issuer and do not assume any obligation towards or relationship of agency or trust for or with any Noteholders.

- 16.2 To the extent that the Issuer acts as the Transfer Agent, Calculation Agent or Paying Agent, all references in these Terms and Conditions to:

- (a) any action, conduct or functions in such role shall be understood to mean that the Issuer shall perform such action, conduct or function itself; and
- (b) requirements for consultation, indemnification by or of, payment by or to, delivery by or to, notice by or to, consent by or to or agreement between the Issuer and such Transfer Agent, Calculation Agent or Paying Agent (as the case may be) shall be disregarded to the extent that the Issuer performs such role.

17. NOTICES

- 17.1 All notices to Noteholders shall be in writing and shall be -
- 17.1.1 sent by registered mail or delivered by hand to their addresses appearing in the Register;
 - 17.1.2 published in an English language daily newspaper of general circulation in the Republic of South Africa; and
 - 17.1.3 for so long as the Notes are listed on the JSE or such other financial exchange upon which the Notes are listed, a daily newspaper of general circulation in the city in which the JSE or such other financial exchange is situated, and any such notices shall be deemed to have been given on the date of first publication.
- 17.2 A notice given to Noteholders in terms of Condition 17.1.1 shall be deemed to have been received by a Noteholder on the seventh day after the day on which it is mailed, and on the day of delivery, if delivered.
- 17.3 For as long as any of the Notes are represented by a Global Certificate and in respect of Uncertificated Notes, all notices in respect of such Notes shall be by way of the delivery of the relevant notice to the Central Securities Depository and the JSE or such other exchange on which the Notes are listed. The Central Securities Depository shall communicate such

notices to the holders of Beneficial Interests in Notes represented by the Global Certificate or by Uncertificated Notes.

- 17.4 A notice to be given by any Noteholder to the Issuer shall be in writing and given by lodging (either by hand delivery or posting by registered mail) that notice, together with a certified copy of the relevant Certificate, at the office of the Transfer Agent specified in the Applicable Pricing Supplement. For so long as any of the Notes are represented by a Global Certificate and in respect of Uncertificated Notes, notice may be given by any holder of a Beneficial Interest in those Notes to the Issuer via the relevant Central Securities Depository Participant in accordance with the Applicable Procedures, in such manner as the Issuer and the relevant Central Securities Depository Participant may approve for this purpose. Such notices shall be deemed to have been received by the Issuer, if delivered by hand, on the 2nd (second) Business Day after being hand delivered, or, if sent by registered mail, 7 (seven) days after posting.

18. MEETINGS OF NOTEHOLDERS

- 18.1 A Noteholder, may by an instrument in writing (a “**form of proxy**”) signed by the Noteholder or, in the case of a corporation, executed under its common seal or signed on its behalf by an attorney or a duly authorised officer of the corporation, appoint any person (a “**proxy**” or “**proxies**”) to act on his or its behalf in connection with any meeting or proposed meeting of a Class of Noteholders.
- 18.2 Any proxy appointed pursuant to Condition 18.1 or a Representative shall, so long as the appointment remains in force, be deemed for all purposes in connection with any meeting or proposed meeting of that Class of Noteholders specified in the appointment, to be the holder of the Notes to which the appointment relates and the actual beneficial holder of the Notes shall be deemed for such purposes not to be the Noteholder.
- 18.3 The proxies and Representatives need not be Noteholders.
- 18.4 Each form of proxy (or certified copy thereof) shall be deposited at such place as the Transfer Agent shall approve not less than 24 hours before the time appointed for holding the meeting or adjourned meeting at which the proxies named in the form of proxy propose to vote and the form of proxy shall not be treated as valid unless the Chairman of the meeting decides otherwise before such meeting or adjourned meeting proceeds to business. The Transfer Agent shall not thereby be obliged to investigate or be concerned with the validity of or the authority of the proxies named in any such form of proxy.
- 18.5 Any vote given in accordance with the terms of a proxy shall be valid notwithstanding the previous revocation or amendment of the form of proxy or of any of the Noteholders' instructions pursuant to which it was executed provided that no intimation in writing of such revocation or amendment shall have been received by the Transfer Agent or the Issuer at its specified office (or such other place as may have been approved by the Transfer Agent for the purpose) by the time being 24 hours before the time appointed for holding the meeting or adjourned meeting at which the form of proxy is to be used.
- 18.6 The Issuer may at any time and, upon a requisition in writing of any Class of Noteholders holding not less than 20% in Principal Amount of the Notes for the time being Outstanding in that Class of Noteholders, convene a meeting of the Noteholders and if the Issuer defaults for a period of 7 (seven) Business Days in convening such a meeting the same may be convened by the requisitionists. Whenever the Issuer or any Class of Noteholders, as the case may be, is/are about to convene any such meeting it/they shall forthwith give notice in writing to the Transfer Agent, the Arranger and the Dealer of the day, time and place thereof and of the nature of the business to be transacted thereat. Every such meeting shall be held at such time and place as the Transfer Agent may approve.

- 18.7 At least 21 (twenty one) Business Days' notice (exclusive of the day on which the notice is given and the day on which the meeting is held) specifying the place, day and hour of meeting shall be given to the Class of Noteholders (and the Issuer, if the meeting is convened by any Class of Noteholders) prior to any meeting of the Noteholders of that Class in the manner provided by Condition 17. Such notice shall state generally the Class of Noteholders which are to meet, the nature of the business to be transacted at the meeting, the date, place and time of the meeting and the terms of any resolution to be proposed. Such notice shall include a statement to the effect that proxy forms may be deposited with the Transfer Agent for the purpose of appointing proxies not less than 24 hours before the time fixed for the meeting.
- 18.8 A person (who may need not be a Noteholder) nominated in writing by the Issuer shall be entitled to take the chair at every such meeting but if no such nomination is made, or if at any meeting the person nominated is not present within thirty minutes after the time appointed for holding the meeting, the Noteholders of the relevant Class present shall choose a Noteholder of that Class to be Chairman.
- 18.9 At any such meeting one or more Noteholders in that Class present or represented by proxies or Representatives and holding or representing in the aggregate not less than one third in Principal Amount of the Notes for the time being Outstanding shall (except for the purpose of passing an Extraordinary Resolution) form a quorum for the transaction of business and no business (other than the choosing of a Chairman) shall be transacted at any meeting unless the requisite quorum be present at the commencement of business. The quorum at any such meeting for passing an Extraordinary Resolution shall (subject as provided below) be one or more Noteholders of that Class present or represented by proxies or Representatives and holding or representing in the aggregate a clear majority in Principal Amount of the Notes held by the applicable Class for the time being Outstanding. At any meeting the business of which includes any of the following matters, shall only be capable of being effected after having been approved by Extraordinary Resolution namely -
- 18.9.1 modification of the Redemption Date of any Notes or reduction or cancellation of the Principal Amount payable upon maturity or earlier redemption or repayment or variation of the method of calculating the amount payable upon maturity or earlier redemption or repayment; or
- 18.9.2 reduction or cancellation of the amount payable or modification of the payment date in respect of any interest in respect of the Notes or variation of the method of calculating the Interest Rate in respect of the Notes; or
- 18.9.3 reduction or increase of any Minimum Interest Rate and/or Maximum Interest Rate specified in the Applicable Pricing Supplement of any Note; or
- 18.9.4 modification of the currency in which payments under the Notes are to be made; or
- 18.9.5 modification of the majority required to pass an Extraordinary Resolution; or
- 18.9.6 the sanctioning of any such scheme or proposal as is described in paragraph 18.21.7 below; or
- 18.9.7 alteration of this proviso or the proviso to paragraph 18.10 below;
- at any meeting whose business includes any of such matters, the quorum shall be one or more Noteholders of that Class present or represented by proxies or Representatives and holding or representing in the aggregate not less than two thirds in Principal Amount of the Notes of that Class for the time being Outstanding. An Extraordinary Resolution passed at any meeting of the holders of Notes of that Class will be binding on all holders of Notes, whether or not they are present at the meeting. No amendment to or modification of the Conditions may be effected without the written agreement of the Issuer.

- 18.10 If within thirty minutes after the time appointed for any such meeting a quorum is not present the meeting shall, if convened upon the requisition of Noteholders, be dissolved. In any other case it shall stand adjourned to such date and time being not less than 14 (fourteen) Business Days nor more than 21 (twenty one) Business Days thereafter, and at the same time and place, except in the case of a meeting at which an Extraordinary Resolution is to be proposed in which case it shall stand adjourned for such period not being less than 14 (fourteen) Business Days, and at such place as may be appointed by the Chairman and approved by the Transfer Agent. At such adjourned meeting one or more Noteholders of the applicable Class present or represented by proxies or Representatives (whatever the Principal Amount of the Notes so held or represented by them) shall (subject as provided below) form a quorum and shall (subject as provided below) have power to pass any Extraordinary Resolution or other resolution and to decide upon all matters which could properly have been dealt with at the original meeting had the requisite quorum been present, provided that at any adjourned meeting the business of which includes any of the matters specified in the proviso to paragraph 18.9 above, the quorum shall be one or more Noteholders in that Class present or represented by proxy or Representatives and holding or representing in the aggregate not less than one third in Principal Amount of the Notes for the time being Outstanding.
- 18.11 Notice of any adjourned meeting at which an Extraordinary Resolution is to be submitted shall be given in the same manner as notice of an original meeting but as if 14 (fourteen) were substituted for 21 (twenty one) in paragraph 18.7 above and such notice shall (except in cases where the proviso to paragraph 18.10 above shall apply when it shall state the relevant quorum) state that one or more Noteholders in that Class present or represented by proxies or Representatives at the adjourned meeting whatever the Principal Amount of the Notes held or represented by them will form a quorum.
- 18.12 Except where otherwise provided, every resolution proposed to be passed at a meeting shall be decided in the first instance by a show of hands and in case of equality of votes the Chairman shall both on a show of hands and on a poll as contemplated in 18.14 below have a casting vote in addition to the vote or votes (if any) to which he may be entitled as a Noteholder or as a proxy or as a Representative.
- 18.13 At any meeting, unless a poll is (before or on the declaration of the result of the show of hands) demanded by the Chairman, the Issuer or by one or more Noteholders present or represented by proxies or Representatives (whatever the Principal Amount of the Notes so held by them), a declaration by the Chairman that a resolution has been carried or carried by a particular majority or not carried by a particular majority shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against such resolution.
- 18.14 Subject to paragraph 18.16 below, if at any such meeting a poll is so demanded it shall be taken in such manner and subject as hereinafter provided either at once or after an adjournment as the Chairman directs and the result of such poll shall be deemed to be the resolution of the meeting at which the poll was demanded as at the date of the taking of the poll. The demand for a poll shall not prevent the continuance of the meeting for the transaction of any business other than the motion on which the poll has been demanded.
- 18.15 The Chairman may with the consent of (and shall if directed by) any such meeting adjourn the same from time to time and from place to place but no business shall be transacted at any adjourned meeting except business which might lawfully (but for the lack of required quorum) have been transacted at the meeting from which the adjournment took place.
- 18.16 Any poll demanded at any such meeting on the election of a Chairman or on any question of adjournment shall be taken at the meeting without adjournment.
- 18.17 Any officer or director of the Issuer, and/or its nominated Representative and/or its lawyers and the Transfer Agent may attend and speak at any meeting. Save as aforesaid, but without

- prejudice to the proviso to the definition of “**Outstanding**”, no person shall be entitled to attend and speak nor shall any person be entitled to vote at any meeting of the Noteholders or join with others in requisitioning the convening of such a meeting unless he/she either produces proof acceptable to the Issuer that he/she is the Noteholder or is a proxy or a Representative. The Issuer shall not be entitled to vote at any meeting in respect of Notes held by it for the benefit of any person and no other person shall be entitled to vote at any meeting in respect of Notes held by it for the benefit of any other person unless duly authorised as contemplated herein. Nothing herein contained shall prevent any of the proxies named in any form of proxy or any representative from being a director, an officer or Representative of or otherwise connected with the Issuer.
- 18.18 Save as provided in paragraph 18.12 hereof at any meeting, on a show of hands or pursuant to a poll, every Noteholder who is present in person and produces proof acceptable to the Issuer that he/she is the Noteholder or is a proxy or a Representative shall have one vote per ZAR1 000 000's worth of Outstanding Notes (or the nearest rounded off multiple thereof) which he/she holds or which the person which he/she represents or for whom he/she acts as proxy, holds.
- 18.19 Notwithstanding any other provision contained in this Condition 18, the holder of a Global Certificate shall vote on behalf of holders of Beneficial Interests of Notes represented by that Global Certificate on any resolution proposed to be passed at a meeting, in accordance with the Applicable Procedures.
- 18.20 Without prejudice to the obligations of the proxies or Representatives any person entitled to more than one vote need not use all his votes or cast all the votes to which he is entitled in the same way.
- 18.21 A meeting of a Class of Noteholders shall in addition to the powers hereinbefore given have the following powers exercisable by Extraordinary Resolution only (subject to the provisions relating to quorum contained in Conditions 9 and 10 above and subject to the provisos of any applicable statute), namely -
- 18.21.1 power to sanction any compromise or arrangement proposed to be made between the Issuer and the Class of Noteholders or any of them;
- 18.21.2 power to approve the substitution of any entity for the Issuer which shall be proposed by the Issuer;
- 18.21.3 power to sanction any abrogation, modification, compromise or arrangement in respect of the rights of the Class of Noteholders against the Issuer or against any of its property whether such rights shall arise under the Notes or otherwise;
- 18.21.4 power to assent to any modification of the provisions contained in the Terms and Conditions which shall be proposed by the Issuer;
- 18.21.5 power to give any authority or sanction which under the Terms and Conditions is required to be given by Extraordinary Resolution;
- 18.21.6 power to appoint any persons (whether Noteholders or not) as a committee or committees to represent the interests of the Noteholders of that Class and to confer upon such committee or committees any powers or discretions which the Noteholders could themselves exercise by Extraordinary Resolution;
- 18.21.7 power to sanction any scheme or proposal for the exchange or sale of the Notes for, or the conversion of the Notes into or the cancellation of the Notes in consideration of, shares, stocks, notes, bonds, debentures, debenture stock and/or other obligations and/or securities of the Issuer or any entity (corporate or otherwise) formed or to be formed, or for or into or in consideration of cash, or partly for or into or in consideration of such shares, stock, notes, bonds, debentures, debenture stock and/or

other obligations and/or securities as aforesaid and partly for or into or in consideration for cash.

- 18.22 Any resolution passed at a meeting of a Class of Noteholders duly convened and held in accordance with the provisions hereof shall be binding upon all the Noteholders of that Class whether present or not present at such meeting and whether or not voting, and all the Noteholders of the applicable Class shall be bound to give effect thereto accordingly and the passing of any such resolution shall be conclusive evidence that the circumstances justify the passing thereof. Notice of the result of the voting on any resolution duly considered by the Noteholders shall be published in accordance with Condition 17 of the Conditions by the Issuer within 14 (fourteen) Business Days of such result being known provided that the non-publication of such notice shall not invalidate such resolution.
- 18.23 A majority, upon a show of hands or if a poll be duly demanded then by a majority consisting of the votes given on such poll, shall be required to ordinarily pass a resolution of Noteholders.
- 18.24 Minutes of all resolutions and proceedings at every such meeting as aforesaid shall be recorded and maintained by the Transfer Agent and duly entered in books to be from time to time provided for that purpose by the Issuer and any such minutes as aforesaid if purporting to be signed by the Chairman of the meeting at which such resolutions were passed or proceedings had, shall be conclusive evidence of the matters therein contained. Until the contrary is proven every such meeting in respect of the proceedings of which minutes have been made shall be deemed to have been duly held and convened and all resolutions passed or proceedings had thereat to have been duly passed or had.

19. MODIFICATION

- 19.1 No modification of these Terms and Conditions may be effected without the written agreement of the Issuer. The Issuer may effect, without the consent of the relevant Class of Noteholders any modification of the Terms and Conditions which is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of the law of the jurisdiction in which the Issuer is incorporated and the governing law in accordance with which Notes are issued. Any such modification shall be binding on the relevant Class of Noteholders and any such modification shall be notified to the relevant Class of Noteholders in accordance with Condition 17 as soon as practical thereafter. For the avoidance of doubt, the provision of any rights of security to or for the benefit of any Class of Noteholders in accordance with Condition 6.1 or the exercise by the Issuer of its rights under Condition 16 shall not constitute a modification of these Terms and Conditions.
- 19.2 Save as provided in Condition 19.1, no modification of these Terms and Conditions may be effected unless:
- 19.2.1 in writing and signed by or on behalf of the Issuer and by or on behalf of the members of the relevant Class of Noteholders holding not less than 66.6%, in nominal amount, of the Notes in that Class for the time being Outstanding; or
- 19.2.2 sanctioned by an Extraordinary Resolution.

20. FURTHER ISSUES

The Issuer shall be at liberty from time to time without the consent of the Noteholders to create and issue further Notes having terms and conditions the same as any of the other Notes issued under the Programme or the same in all respects save for the amount and date of the first payment of interest thereon, the Issue Price and the Issue Date, so that the further Notes shall be consolidated to form a single Series with the Outstanding Notes.

21. GOVERNING LAW

The provisions of the Programme Memorandum and the Notes are governed by, and shall be construed in accordance with, the laws of the Republic of South Africa.

USE OF PROCEEDS

Words used in this section headed "Use of Proceeds" shall bear the same meanings as defined in the Terms and Conditions, except to the extent that they are separately defined in this section or this is clearly inappropriate from the context.

For purposes of the Commercial Paper Regulations, it is recorded that the "Ultimate Borrower" as defined in the Commercial Paper Regulations, of the net proceeds from each Tranche of Notes will be the Issuer unless otherwise indicated in the Applicable Pricing Supplement.

The net proceeds from the issue of the Notes will be applied by the Issuer for the purposes specified in sections 45 and 46 of the MFMA.

Section 45 of the MFMA, which regulates short-term debt of a municipality, provides that the Issuer may only incur short-term debt in accordance with and subject to the provisions of the MFMA for purposes of bridging shortfalls within a financial year during which such debt is incurred and in expectation of anticipated income to be received within that financial year or for purposes of bridging capital needs within a financial year to be repaid from specific funds to be received from allocations or long term debt commitments.

Section 46 of the MFMA which regulates long-term debt of a municipality, provides that the Issuer may only incur long-term debt in accordance with and subject to the provisions of the MFMA for purposes of capital expenditure on property, plant or equipment for the purpose of achieving the objects of local government or for purposes of re-financing existing long-term debt.

Signed at SANDTON this 23rd day of JULY 2010.

For and on behalf of


EKURHULENI METROPOLITAN MUNICIPALITY



Name : Mr Khaya Ngema

Capacity : City Manager

Who warrants that his/her authority hereto



Name : Mr Zakes Myeza

Capacity : Chief Financial Officer

who warrants his/her authority hereto

DESCRIPTION OF ISSUER

Words used in this section headed "Description of Issuer" shall bear the same meanings as defined in the Terms and Conditions, except to the extent that they are separately defined in this section or this is clearly inappropriate from the context.

BACKGROUND AND HISTORY

The Ekurhuleni Metropolitan Municipality ("Ekurhuleni" or the "Municipality") was established in 2000. The former local administrations of the nine towns in the East Rand namely Alberton, Benoni, Boksburg, Brakpan, Edenvale/Lethabong, Germiston, Kempton Park/Tembisa, Nigel and Springs were amalgamated into a new metropolitan municipality, along with two other councils, the Khayalami Metropolitan Council and the Eastern Gauteng Services Council.

Ekurhuleni has a total surface area of $\pm 2\,000\text{km}^2$ that accommodates a population of ± 2.7 million. This constitutes $\pm 5.6\%$ of the national population and makes up 28% of Gauteng's population. The population density is approximately 1 400 people per km^2 , making Ekurhuleni one of the most densely populated areas in the country and province. By comparison, population density in Gauteng is 596 people per km^2 and 39 people per km^2 in the country (*Source: Global Insight Regional eXplorer (ReX) v.351, 17 January 2008*).

The Ekurhuleni metropolitan economy is larger and more diverse than that of many small countries in Africa, including all the countries in Southern Africa. It accounts for nearly a quarter of the Gauteng economy, which in turn contributes over a third of the national gross domestic product. Ekurhuleni contributes $\pm 7\%$ to the country's spending power and $\pm 7.4\%$ to the nation's production. In most respects, per capita income, unemployment, poverty, average wages and other indicators of human development, it is similar to the rest of Gauteng. However, there is one important structural difference: many of the factories for production of goods and commodities are located in Ekurhuleni. Manufacturing in Ekurhuleni accounts for just less than 20% of the gross domestic product of Gauteng. In Ekurhuleni itself, manufacturing accounts for some 28% of total production output. Because of this, the largest concentration of industry in the whole of South Africa (and in Africa), Ekurhuleni is often referred to as "Africa's Workshop".

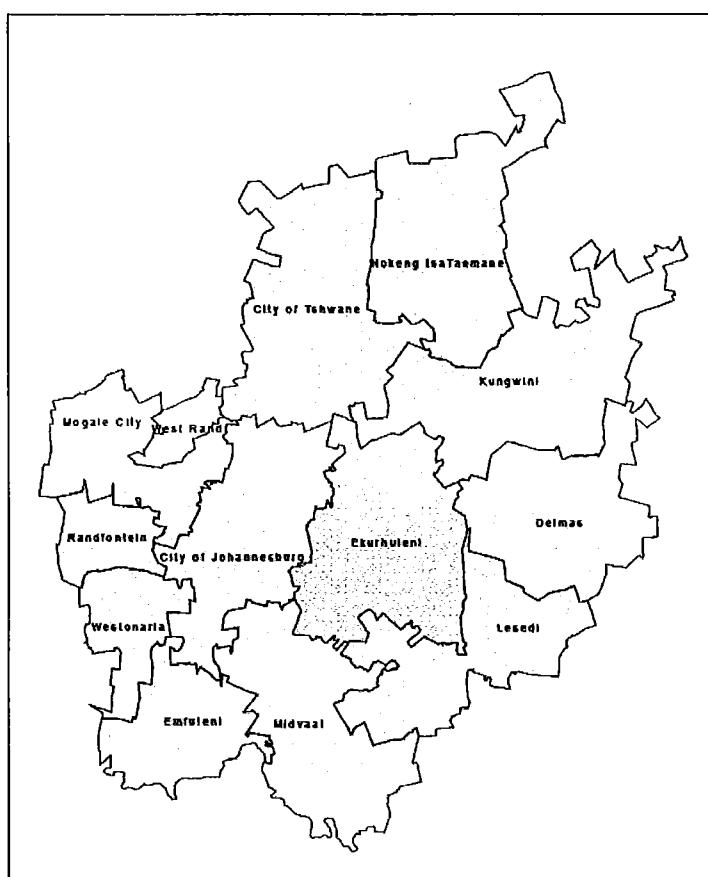
In the period 1998 to 2003, annual economic growth in Ekurhuleni has expanded constantly at almost double that of the national manufacturing growth rate. The economically active population is 57% compared to 40% nationally. Household income and per capita income exceed the national average by 10% and 33% respectively. The percentage of people living in poverty nationally is 44.4%, compared to 24.2% in Ekurhuleni (*Source: Global Insight Regional eXplorer (ReX) v.351, 17 January 2008*).

Ekurhuleni has a network of roads, airports, rail lines, telephones, electricity grids and telecommunications, a first world infrastructure supporting a well established industrial and commercial complex. Ekurhuleni is home to the OR Tambo International Airport, the busiest airport in Africa. Ekurhuleni endeavours to capitalise economically on the airport by providing opportunities for supporting land uses around the airport. These include provision for industrial, commercial and transport businesses in Isando, Spartan, Jet Park and other industrial areas. The Pomona area is also rapidly developing as a transportation, cargo and logistics hub associated with the airport. On the passenger side, land uses such as hotels and guesthouses are continuously developing in the Kempton Park, Edenvale, Boksburg and Benoni areas.

South Africa's largest railway hub is in Ekurhuleni (Germiston) and links the city to all the major population centres and ports in the Southern African region. A number of South Africa's modern freeways and expressways connect Ekurhuleni to other cities and provinces. The Maputo corridor development, South Africa's most advanced spatial development initiative, connects Ekurhuleni with the

capital of Mozambique and the largest Southern African Indian Ocean port. Direct rail, road and air links connect Ekurhuleni to Durban, the biggest and busiest port within South Africa. During the period 1995 to 2005, the Gauteng government was strategic in upgrading some of the ageing road networks linked to the industrial hub, to promote the movement of goods and services.

The Blue IQ projects, situated within Ekurhuleni, include the Wadeville-Alrode Industrial Corridor with linkages to the largest logistical hub, the City Deep Container Terminal, the planned Gautrain rapid rail link to Johannesburg and Tshwane and the OR Tambo International Airport Industrial Development Zone (IDZ). The latter aims to cluster light manufacturing, more especially in beneficiation, and to develop an aero space park. Ekurhuleni's annual budget is in the region of R13,5 billion, of which more than R2 billion is being budgeted annually for capital projects in line with the priorities set in the Integrated Development Plan (IDP). The bulk of this expenditure is dedicated to upgrading facilities and removing infrastructure backlogs that were caused by apartheid. Ekurhuleni's municipal area is shown in the map below:



Source: Ekurhuleni Metropolitan Municipality Geographic Information System, 2009

Economic Profile

Local government needs to assess the demographic, economic, and socio-economic status quo; as well as measure growth and development on a sub-national level and, more specifically, on local metropolitan municipality levels. This type of information and estimates are needed for activities such as:

- Policy and strategy decisions;
- Economic planning;
- Market development; and

- Infrastructure planning, development, and delivery.

As a result of the lag in the statistical data reporting and collection process, estimates for economic variables up to the year 2006 are available. National-level information from Statistics South Africa and the South African Reserve Bank for 2006 can also be used.

Overview of Key Demographic and Socio-economic Characteristics

As at January 2008, Ekurhuleni has a resident population of approximately 2.7 million people; the area contributes approximately 7% to national production and has a share of approximately 6.6% of national employment. The Human Development Index (HDI) for Ekurhuleni indicates that the area fares better than the national average, whilst lagging slightly behind the Gauteng average. The HDI for Ekurhuleni is 0.68, which is indicative of a medium developed municipality. Ekurhuleni's key demographic and socio-economic characteristics are summarized and put in context to the Gauteng provincial and South African national picture in the table below.

	Ekurhuleni	Gauteng	South Africa
Total land area (km ²)	1 982	16 579	1 221 246
Population	2 699 394	9 879 610	43 560 742
Population density (nr of people per km ²)	1400	596	39
Economically active population (as % of total population)	57.3%	57.0%	40.5%
Number of households	868 976	3 155 402	12 883 990
Average household income (Rand, current prices)	107 349	142 905	94 090
Annual per capita income (Rand, current prices)	34 557	45 642	25 489
Gini Coefficient	0,59	0.58	0.64
Formal sector employment (estimates)	696 204	3 670 360	9 896 088
Informal sector employment (estimates)	98 234	477 803	2 110 379
Unemployment rate	34.3%	30.0%	37.7%
Percentage of persons in poverty	24.2%	22.9%	44.4%
Poverty gap (R million)	1 172	3 903	37 897
Human Development Index (HDI)	0.68	0.71	0.62
Index of buying power (IBP)	0.08	0.35	1.00
Share of economic output (GVA % of SA 2006)	6.6%	33.7%	100.0%
Economic growth 1996-2006 (GVA % growth pa) (Constant 2000 prices)	2.7%	4.1%	3.4%

Source: Global Insight Southern Africa – Regional eXplorer (ReX) v.0351 17 January 2008

VISION, MISSION & VALUES

Ekurhuleni's vision is to be "*The Smart, Creative and Developmental City*". Ekurhuleni provides sustainable and people centred development services that are affordable, appropriate and of high quality.

We are focused on social, environmental and economic regeneration of our city and communities, as guided by the principles of Batho Pele and through the commitment of a motivated and dedicated team. Batho Pele, a Sotho translation for 'People First', is an initiative to get public servants to be service orientated, to strive for excellence in service delivery and to commit to continuous service delivery improvement. It is a way of delivering services by putting citizens at the centre of public service planning and operations.

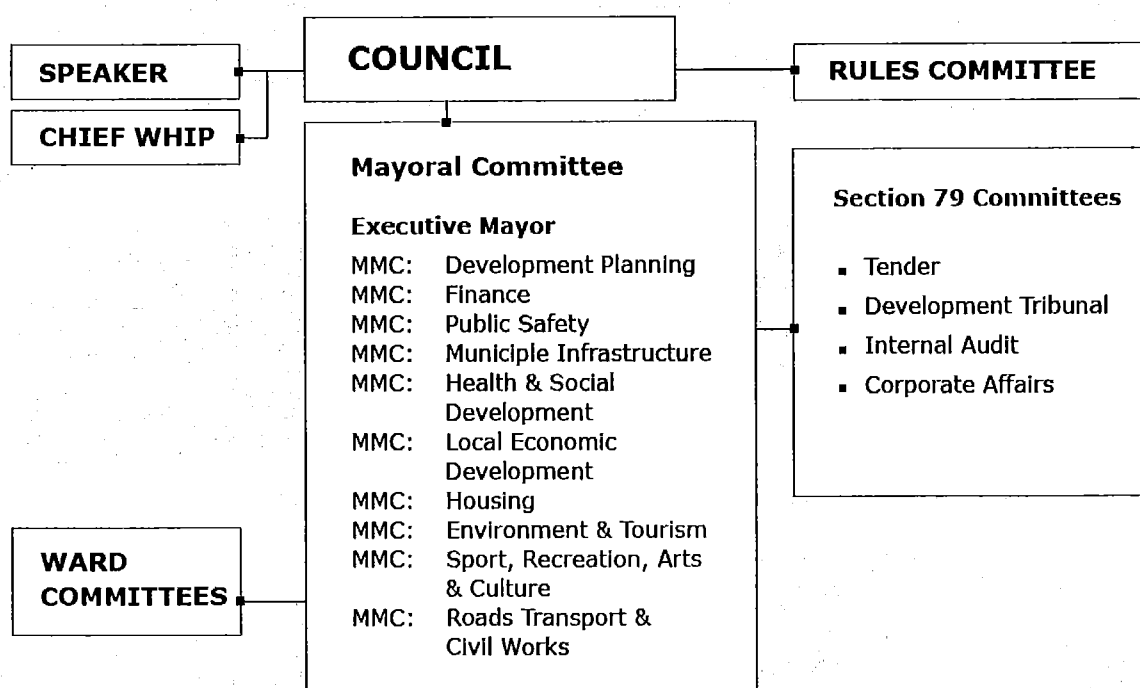
In pursuing Ekurhuleni's vision and mission, Ekurhuleni is committed to upholding the following core values:

- Performance Excellence;
- Integrity;
- Community Centeredness;
- Transparency; and
- Cooperative Governance.

ORGANISATIONAL STRUCTURE

Ekurhuleni has implemented a Mayoral Executive and Ward Participatory System of local governance which ensures that governance is taken right down to community level and that all citizens within the metropolis are represented in decision-making. This increases residents' sense of belonging, accountability and empowerment and actively involves them in all issues dealt with by the metropolitan municipality.

The Municipality comprises 175 councillors, of both elected (88 ward representatives) and proportional (87 councillors) representation. Each of the 88 ward councillors chairs a ward committee as part of the Ward Participatory System that brings participation down to community level. The political structure is outlined below:



2009 Mayoral Committee	
Position	Name
Executive Mayor	Clr Ntombi Mekgwe
Speaker	Clr Patricia Khumalo
Chief Whip	Clr Mahlomola Mabote
MMC: Corporate Services & City Planning	Clr Queen Duba
MMC: Finance	Clr Lungile Mtshali
MMC: Community Safety	Clr Mthuthuzeli Siboza
MMC: Water & Energy	Clr Aubrey Nxumalo
MMC: Roads Transport & Civil Works	Clr Themba Thebe
MMC: Health	Clr Makhosazana Maluleke
MMC: Economic Development	Clr Abdul Mogale
MMC: Housing	Vivienne Chauke
MMC: Environmental Development	Clr Louis Sibeko
MMC: Sports, Recreation, Arts & Culture	Clr Ndosi Shongwe

2009 Administrative Structure	
Position	Name
City Manager	Khaya Ngema
Corporate Services Cluster (Deputy City Manager)	Zakes Myeza (Acting) Peta Qubeka Mashini
Strategic Services Cluster (Deputy City Manager)	Johan Leibbrandt
Chief Financial Officer	Zakes Myeza

ACTIVITIES AND SERVICES

The following services are rendered by Ekurhuleni:

Infrastructure Services	Roads, Water and Wastewater, Housing, Environmental Development, Electricity and Energy and Fleet Management
Community Services	Health, Sport, Recreation, Arts and Culture (SRAC),

	Community Safety, Customer Care Centres (CCC's), 2010, Economic Development, City Development
Corporate Services	Corporate and Legal Services, Human Resources Management and Development, Finance, Information Communication and Technology, Marketing, Research and Development and Internal Audit.

Ekurhuleni has three Municipal Entities, namely:

Brakpan Bus Company	Provision of a Bus Service to the community of Brakpan.
East Rand Water Care Company (ERWAT)	Wastewater Purification for the entire Ekurhuleni Metro and portions of the City of Johannesburg.
Ekurhuleni Development Company (EDC)	Social Housing (Rental) in Germiston.

CORPORATE GOVERNANCE

The establishment of Ekurhuleni in December 2000 resulted in a number of transformations challenges, including the amalgamation of eleven former administrations into a single organisational structure. It has also implemented processes and systems to serve as a solid foundation from which to address future challenges.

As a municipality we will initiate, implement and evaluate legislation and programmes with other spheres of government. The people of Ekurhuleni have given the municipality a mandate to accelerate transformation, and to fight poverty and underdevelopment, in pursuit of a better life for all. Much work has been done to put in place a local government system that is developmental and meets the needs of the community.

Seven strategic development priorities were identified by Ekurhuleni, of which a number are already being addressed by means of Mayoral Special Projects:

- Promoting Good Governance;
- Fighting Poverty and Underdevelopment;
- Urban Renewal;
- Job Creation;
- Safety and Security;
- Partnership against HIV/Aids; and
- Enhancing Public Participation.

Corporate Governance is enforced in Ekurhuleni through the application of the following policy documents:

Standing orders	The Standing Orders were promulgated in terms of the Municipal Systems Act and the Gauteng Rationalisation of Local Government Affairs Act, 1998, as formal By-laws of Ekurhuleni and is electronically available on Ekurhuleni's website www.ekurhuleni.com .
Code of Conduct	Section 19 of the Municipal Structures Act states that the objectives of a municipality are:

	<p>(i) A municipal council must strive within its capacity to achieve the objectives set out in section 152 of the Constitution;</p> <p>(ii) A municipal council must annually review:</p> <ul style="list-style-type: none"> (a) The needs of the community; (b) Its priorities to meet those needs; (c) Its processes for involving the community; (d) Its organisational and delivery mechanisms for meeting the needs of the community; and (e) Its overall performance in achieving the objectives referred to in sub-section (i); <p>(iii) A municipal council must develop mechanisms to consult the community and community organisations in performing its functions and exercise its powers. In order to ensure that councillors fulfil their obligations to their communities and support the achievement by the municipality of the above objectives, a "Code of Conduct" for councillors was established and enacted as Schedule 1 of the Municipal Systems Act.</p> <p>The Code of Conduct for Municipal Staff Members as contained in Schedule 2 of the Local Government: Municipal Systems Act, Act 32 of 2000 applies to every staff member of a municipality.</p>
Delegated powers	A Municipal Council must in terms of the provisions of various sections of municipal legislation, develop a system of delegations that will maximise administrative and operational efficiency and provide adequate checks and balances.
By-laws and policies	Since 2000, Ekurhuleni has approved a number of uniform By-laws, tariffs and policies. These include Credit Control and Debt Collection, Police Services, Rates, Electricity, Emergency Services and Water Supply By-laws.
Employment equity	<p>Ekurhuleni shall implement comprehensive employment equity, training and development and education strategies to redress historic and existing inequalities, imbalances, prejudices and injustices in the workplace by:</p> <ul style="list-style-type: none"> o Ensuring equal employment opportunity practices; o Enforcing the right of fundamental equality and opportunity for gender equality in employment as well as the right of every person to be protected against employment or procurement discrimination on the grounds of race, gender ethnic or social origin, colour, age, culture, language, marital status, disability or economic status. o Committing itself to a consultative process of effective planning and implementing affirmative action and employment equity to redress past imbalances, and identifying the skills, occupational categories required in the future to ensure the attainment of a socially responsible, efficient and racially integrated workforce, representative and sensitive to the needs

	of the community.
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MANAGEMENT STRATEGY

To be able to achieve Ekurhuleni's vision and direct the attention to the status quo, a strategic development agenda was put in place that guides the Ekurhuleni development process. The Growth and Development Strategy 2025 ("GDS") depicts the status quo that exists in Ekurhuleni. It follows a landscape approach, describing the status quo in terms of three Key Performance Areas ("KPA") namely: Infrastructure and Services, Economic Transformation and Social Transformation.

Growth and Development Strategy for 2025

STRATEGIC FOCUS AREA, AGENDA, OUTCOMES AND MILESTONES	
1 INFRASTRUCTURE AND SERVICES	
Strategic Focus Area	Outcomes and Milestones
<p>Clear City Identity</p> <p>A well-developed and vibrant core economic area which imparts a unique character and identity to Ekurhuleni</p>	<p>An identified core economic area: Area identified in 2004 to be prioritized i.t.o. development</p> <ul style="list-style-type: none"> • Increased development and investment in the core economic triangle of Ekurhuleni. • Gautrain construction and related development adjacent to the OR Tambo International Airport, successful development of the R21 corridor, successful development of the Government Precinct in Germiston and Subsidy-linked housing development in the mining belt.
<p>Spatial Development</p> <p>An integrated and equitable city</p>	<p>Improved accessibility and mobility throughout the metropolitan area</p> <ul style="list-style-type: none"> • Strong east-west corridor along the N12 / N17 freeways and north south corridor along the R21 freeway. • Areas of urban density – infill development on vacant and underutilized land between the urban core and the peripheral township areas. • A managed and respected urban edge.
<p>Roads & Transport</p> <p>High quality, integrated and well-maintained transportation infrastructure, integrated public transport systems, ensuring a high degree of mobility and choices to commuters</p>	<p>Effective and integrated planning and implementation</p> <ul style="list-style-type: none"> • Integrated Transport Plan in place by 2007. • Transport Authority established by 2009. • Road Agency established by 2012. • High quality integrated and well-maintained infrastructure. • Roads building programme in place by 2006 and current backlog of gravel roads to be eradicated in 2015. <p>Additional freeways built</p> <ul style="list-style-type: none"> • Upgrading R21 and R24 for additional capacity and lanes by 2010. • Pretoria/Witwatersrand/Vereening (PWV) 13/14 road network built by 2020 and PWV 15 built by 2025. <p>A strategic network of public transport corridors providing sub-regional linkages</p> <ul style="list-style-type: none"> • Improved usage of public transport services. • Taxi recapitalization by 2010; Modal integration for public transport to Gautrain by 2010; Bus services to cover all areas

	<p>in Ekurhuleni by 2015; Transport information center established by 2020; Start building additional rail linkages by 2020 and Modal transfer facilities provided at all stations by 2025.</p> <p>More use of non-motorized transport</p> <ul style="list-style-type: none"> • Pedestrian and bicycle-strategies in place by 2007.
<p>Service Infrastructure</p> <p>High quality and well-maintained services, equitable services throughout the urban areas</p>	<p>Well-maintained services in all areas. All communities to have equitable access to services</p> <ul style="list-style-type: none"> • All maintenance backlogs to be eradicated by 2010. • All people to have access to potable water by 2008. • All people to have access to basic sanitation services by 2010. • All people to have access to electricity by 2012. <p>More sustainable disposal of solid waste</p> <ul style="list-style-type: none"> • Comprehensive waste minimization strategy (including recycling) to be in place by 2007. <p>Improved storm water management</p> <ul style="list-style-type: none"> • Storm water master plan to be in place by 2007 and storm water system backlogs to be eradicated by 2020.
<p>Environmental Management</p> <p>A substantial increase in the general quality of the environment</p>	<p>A clearly defined and functional open space network</p> <ul style="list-style-type: none"> • Open space plan to be finalized by 2007. • 50% of open space system to be developed by 2015. • 100% of open space system to be developed by 2025. <p>All development to be guided by an Environmental Management Framework (EMF)</p> <ul style="list-style-type: none"> • EMF's for the entire Ekurhuleni area to be in place by 2006. <p>Measurable decline in land, water and air pollution</p> <ul style="list-style-type: none"> • Pollution monitoring systems to be in place by 2010. <p>Measurable increase in the utilization of alternative energy sources</p> <ul style="list-style-type: none"> • Strategy to be in place by 2010. <p>Substantial environmental improvement in the mining belt</p> <ul style="list-style-type: none"> • Implementation of Hloekisa project to commence by 2006. • All mine dumps/slimes dams with economically viable mineral content to be removed by 2025.

	<ul style="list-style-type: none"> All other mine dumps/slimes dams to be rehabilitated to acceptable standards by 2025. <p>Integrated and sustainable protection of natural resources</p> <ul style="list-style-type: none"> Wetland conservation strategy and programme to be in place by 2007.
<p>Urban Renewal</p> <p>Functional, sustainable, and attractive urban areas</p>	<ul style="list-style-type: none"> Normalization of urban economy areas reflected through minimal vacancy rates, high investor confidence and high demand for expansion. Quality public environment guiding, promoting and sustaining private investment and development expansion in urban economy areas. Supportive institutional capacity, commitment and approach. <p>By 2010</p> <ul style="list-style-type: none"> Basic prerogatives for implementation in place. Service delivery, security, incentives, land use support, initial catalysts. Administrative structure in place ensuring accountability and support. Public Private Partnerships (PPP's) in place. Development agency in place. <p>By 2015</p> <ul style="list-style-type: none"> Committed public investment framework and programme. Committed large-scale private investments. Measurable and sustainable growth in urban economy areas.
<p>Information, Communication and Technology (ICT) Infrastructure</p> <p>Productive and resourceful application of ICT</p>	<p>World-class ICT infrastructure in support of the Gauteng "Smart Province" vision and economic growth in Ekurhuleni</p> <ul style="list-style-type: none"> Institutional structure to support/accommodate external ICT focus by 2006. 100% synergy and connectivity with our development partners, including government, by 2010.
<p>2 ECONOMIC TRANSFORMATION</p>	
<p>Strategic Focus Area</p>	<p>Outcomes and Milestones</p>
<p>Economic Diversification</p> <p>A diversified local economy able to meet local needs, support sustainable development and adapt to</p>	<p>Sustainable growth in a variety of local economic sectors</p> <p>By 2010</p> <ul style="list-style-type: none"> A range of Government incentives to be in place.

<p>changes in accordance with global demands and shifts</p>	<ul style="list-style-type: none"> • A measurable increase in “Smart Industries” (Aerospace, IT, Logistics, Plastics, Agro-processing). <p>By 2015</p> <ul style="list-style-type: none"> • A measurable increase of exports into Africa.
<p>Job Creation</p> <p>Unemployment to be reduced by half by 2014 and by half again by 2025 based on the unemployment figures of 2004</p>	<p>Reduce unemployment</p> <ul style="list-style-type: none"> • Ekurhuleni Job Summit to be held in 2006. • 50% reduction in unemployment by 2015. • 75% reduction in unemployment by 2025.
<p>Skills Development</p> <p>A skilled community exhibiting capabilities in self-reliance, innovation and continued reskilling to meet the needs of a growing economy</p>	<p>Improved mechanisms and programmes to impart skills</p> <ul style="list-style-type: none"> • Ekurhuleni Centre of Excellence to be established by 2006. • Mentoring programme for project management and technical skills to be implemented by 2007. • Institute of Technology to be established by 2010. Ongoing strengthening of ties with Educational Institutions. <p>Improved Skills</p> <ul style="list-style-type: none"> • Measurable increase in the percentage of the population which is technically and scientifically skilled by 2015. • Adult illiteracy wiped out by 2020.
<p>Tourism Promotion</p> <p>To promote the economy of the region, create jobs and a safe and secure environment, by establishing a tourism destination of choice</p>	<p>Development of tourism facilities</p> <p>By 2010</p> <ul style="list-style-type: none"> • Making the most of opportunities created by the FIFA Soccer World Cup. • African Shopping Hub, Craft Market and Wine Emporium developed. • Business tourism facilities around the OR Tambo International Airport. <p>Increased tourism</p> <ul style="list-style-type: none"> • Ekurhuleni to be the preferred sporting/cultural/heritage destination by 2015. • Business tourism to increase by 50% by 2020.
<p>Investment Promotion</p> <p>Increased inward investment in skills and technology, property and sustainable development</p>	<p>Increased levels of public and private investment in all areas</p> <p>By 2010</p> <ul style="list-style-type: none"> • A range of Government investment incentives to be in place. • Measurable increase in effective service delivery and information dissemination through “Customer Care Centre”

	<p>implementation.</p> <ul style="list-style-type: none"> • City Improvement Districts' (CID's) in place. <p>From 2015 onwards</p> <ul style="list-style-type: none"> • Measurable increase in investment in strategic priority areas such as the mining belt. <p>Greater participation in the formal economy by all sectors of society</p> <ul style="list-style-type: none"> • Strategy leverage Ekurhuleni assets to ensure BBBEE to be in place by 2007. • Enabling procurement policy to be fully implemented by 2008.
Economic Transformation An inclusive, wealth-generating economy	
3 SOCIAL TRANSFORMATION	
Strategic Focus Area	Outcomes and Milestones
Poverty and Unemployment In line with the national objective, the aim is to halve poverty in the next 10 years up to 2015, and to halve it again in the following 10 years, up to 2025	<p>Improvement in skills levels</p> <ul style="list-style-type: none"> • All milestones as set out under the "Focus Area: Skills Development" are relevant. <p>Reduction in unemployment</p> <ul style="list-style-type: none"> • All milestones as set out under "Focus Area: Job Creation" are relevant. <p>Poverty relief and other social programmes</p> <ul style="list-style-type: none"> • Integration to be achieved between all initiatives/programmes and institutions driving such initiatives/programmes, by 2010.
Human Settlements All people in Ekurhuleni to be housed in integrated and functional sustainable human settlements	<ul style="list-style-type: none"> • Upgrading/formalization of all informal settlements, including the eradication of the basic services backlog, to be achieved by 2012. • Housing backlog (including the formalization of backyard shacks) to be eradicated by 2015. • Social amenities backlog to be eradicated by 2020.
Healthcare and Facilities Equitable health care and facilities across all sectors of society—substantially reduced rates of poverty-related disease	<ul style="list-style-type: none"> • Functional partnership achieved and maintained with all social institutions in Ekurhuleni by 2010. • Measurable increase in community-based HIV/Aids programmes by 2010. • Acceptable access to Primary Health Care and social development services by all communities (including rural communities) by 2015. • 50% reduction in maternal and child-under-five mortality rates by 2015.

<p>Safety and Security</p> <p>A high level of safety and security – a drastically reduced crime rate</p>	<ul style="list-style-type: none"> • Environmental pollution levels to be in line with internationally-accepted standards by 2015. • Extending operating hours to 24 hours in all health centres and large clinics by 2025. <p>By 2010</p> <ul style="list-style-type: none"> • Pro-active management of disasters in accordance with an integrated and comprehensive Disaster Management Plan. • Elimination of civil disobedience by means of various community-based programmes and drives. <p>By 2015</p> <ul style="list-style-type: none"> • 50% reduction in serious and violent crimes and 50% reduction in fatalities and injuries due to occupational, domestic and road accidents.
<p>Sports and Recreational Facilities</p> <p>Ekurhuleni to have world-class parks, sports and recreational facilities</p>	<p>By 2010</p> <ul style="list-style-type: none"> • Upgrading of 4 stadiums in Ekurhuleni to world-class level. <p>By 2015</p> <ul style="list-style-type: none"> • Reclamation of our African identity through arts, culture and heritage. <p>By 2025</p> <ul style="list-style-type: none"> • Equitable provision of facilities to all communities in Ekurhuleni. • 100% of the Metro-wide open space system to be developed and maintained.

RISK MANAGEMENT

Policy Statement

In terms of the MFMA, an Accounting Officer is required to maintain an effective, efficient and transparent system of risk management within the institution under his or her stewardship. The rationale behind this requirement is that government institutions must deliver the services that they are constitutionally mandated to do, however, in doing so they must be mindful of the need for efficiency, effectiveness and economy in the way that these services are provided. In South Africa, government institutions operate in an environment where lack of capacity and limited resources place an extra burden of responsibility on institutions to manage risks in a prudent manner.

The Accounting Officer has committed Ekurhuleni to a process of risk management that is aligned to the principles of good corporate governance, as supported by the MFMA and various other pieces of legislation applicable to local government.

Risk management is recognised as an integral part of responsible management and Ekurhuleni therefore adopts a comprehensive approach to the management of risk. The features of this process are outlined in Ekurhuleni's Risk Management Strategy. It is expected that all departments or sections, operations and processes will be subject to the risk management strategy. It is the intention that these departments / sections will work together in a consistent and integrated manner, with the overall objective of reducing risk, as far as reasonably practicable.

Ekurhuleni subscribes to the fundamental principles that all resources will be applied economically to ensure:

- The highest standards of service delivery;
- A management system containing the appropriate elements aimed at minimizing risks and costs in the interest of all stakeholders;
- Risk Management as a performance management indicator and change agent;
- Education and training of all our staff to ensure continuous improvement in knowledge, skills and capabilities which facilitate consistent conformance to the stakeholders expectations;
- An entity-wide approach to risk management will be adopted. It is expected that the risk management processes will become embedded into Ekurhuleni's systems and processes, ensuring that our responses to risk remain current and dynamic; and
- Compliance with relevant legislation, and fulfil the expectations of employees, communities and other stakeholders in terms of corporate governance.

Key risk factors applicable to Ekurhuleni and relevant mitigants

Risk description	Proposed controls
Ensure strategy upheld and maintained	<ul style="list-style-type: none"> • City Manager/Deputy City Managers to ensure strategy/policy driven organisation • Ensure alignment of available budget to GDS objectives and strategic requirements
Limited economic development/ investment/ slow economic growth	<ul style="list-style-type: none"> • The following milestones will be effected: <ul style="list-style-type: none"> ○ Conform to the Economic Development Strategy ○ Maintain clear and approved BEE strategy targets ○ Align infrastructure and economic development departments ○ Investigate partnerships and coordination with provincial and national government ○ Seek more internal funding sources and investigate further investment in infrastructure • Enact long term growth strategies e.g. Accelerated Shared Growth

	Initiative for SA(ASGISA) and ensure appropriate resources allocation
Inefficiencies due to internal integration, poor inter-departmental communication	<ul style="list-style-type: none"> • The following milestones will be effected: <ul style="list-style-type: none"> ○ Frequent scheduled sub-departmental meetings ○ Frequent communication statement to be distributed ○ City Manager/Deputy City Managers to enforce strategic agenda and coordination of project plans ○ Improve inter-departmental relations and clarify roles between line and support departments • Streamline and coordination of efforts.
Lack of resource management and capacity management	<ul style="list-style-type: none"> • The following milestones and controls will be effected: <ul style="list-style-type: none"> ○ Implement and monitor appropriate asset replacement and maintenance policies ○ Alignment of resources with the relevant functions/uses ○ Implement management information systems, improve budget allocations, enhance the contract management process and allocate appropriate responsibilities • Intensify relevant personnel training (specific) & Development of Scarce Skills Training Interventions
Prevention of fraud, corruption and theft	<ul style="list-style-type: none"> • The Fraud/Anti-corruption strategy will be approved in 2010. • Key controls to be effected: <ul style="list-style-type: none"> ○ Enhance the effectiveness of the Whistle Blowing Policy and Hotline usage ○ Introduce fraud training, awareness and communication. ○ Standardise operating procedures (e.g introduction of electronic payments mechanisms, regular/frequent reconciliations) and enhance effectiveness of security guard services. ○ Improvement of security including additional CCTV, access control system implementation, internal cameras • Enhance effectiveness and efficiency of disciplinary process e.g. quicker timeframes
Interruptions in terms of project management and implementation	<ul style="list-style-type: none"> • Main controls to be effected: <ul style="list-style-type: none"> ○ Implement required project management training for relevant employees ○ Incorporate implementation targets into performance evaluation for employees ○ Enhance function, mandate, awareness of PMU ○ Improvement of procurement procedures, regulatory and internal control systems and support services ○ IDP Office should assess/coordinate plans/strategies in terms of alignment ○ Senior Management should take ownership of plans and strategies

Ineffective service delivery	<ul style="list-style-type: none"> • Main controls/milestones to be effected: <ul style="list-style-type: none"> ○ Incorporate Service Standard Charter into performance contracts ○ Improvement of standards and surveys and service delivery feedback to communities ○ Involvement of managers in customer satisfaction surveys ○ Effective monitoring mechanisms and enforcement of Batho Pele principles ○ Adequate and appropriate resources to be available (budget and staff) ○ To enhance community participation processes
Environmental risks	<ul style="list-style-type: none"> • Adhere to and enforce relevant applicable policies and bylaws
Ratepayer disputes	<ul style="list-style-type: none"> • Addressing ratepayer disputes in an efficient and timeous manner to achieve amicable solutions to such disputes

Risk Management Processes

In November 2009, National Treasury assessed the Risk Management process at Ekurhuleni. Ekurhuleni was rated level 2 in terms of Financial Management Capability Maturity Model (FMMCM). This means that Ekurhuleni was at a developmental level despite the existence of a risk management policy. There are improvement actions that were identified by National Treasury to uplift Ekurhuleni, to meet the minimum level 3 of the FMMCM. This is a minimal stage of municipal finance.

Taking all these requirements and improvement actions into consideration, Ekurhuleni engaged the Ernst & Young and Ngubane & Co consortium to assist Ekurhuleni in embedding risk management process in the organization. The consortium will work together with National Treasury, by establishing a steering committee to manage and ensure that risk management processes are embedded in the organization and also skills transfer is done in line with National Treasury expectations and requirements. The consortium will be engaging and reporting to Ekurhuleni's Chief Risk Officer.

The following will be performed by the consortium:

- Bottom up risk assessment – Operational risk assessment for 17 departments, directorates and Mayoral office at Ekurhuleni;
- A comprehensive current state assessment to be performed using a combination of questionnaires and interviews for staff;
- Assist with the roll out and implementation of action plans arising from the current state assessment exercise. This includes actions relating to risk management governance, people and methods & practices;
- Risk training for all departments; and
- Facilitate the identification of risk management technology.

The responsibility to ensure effective management of risk in Ekurhuleni rests with all employees. Our commitment to risk management is an expression of our commitment to Batho Pele principles.

FINANCIAL STRATEGY

Ekurhuleni's Borrowing Policy is applicable to the Municipality as well as to all of its Municipal Entities (Brakpan Bus Company, East Rand Water Care Company and Ekurhuleni Development Company). The adoption of the policy will result in the repealing of the Funding Strategy compiled in March 2004 and will become effective as from 1 July 2010.

The Borrowing Policy aims to regulate the borrowing framework of Ekurhuleni to ensure optimum use is made of financial gearing. The specific objectives of the policy cover:

- To maintain or reduce the average cost of borrowing;
- To maintain the following financial ratios:

- Interest cost to total expenditure to not exceed 8%;
- Long term debt to internal funds and reserves to not exceed 50%;
- Long term debt to fixed assets to not exceed 50%;
- To maintain a long-term national scale credit rating of AA;

All proposed borrowings of Municipal Entities must be authorised by Ekurhuleni. Ekurhuleni may consider the provision of guarantees for the borrowings of entities as approved by the Council within limits of affordability.

Ekurhuleni's Long Term Financing Strategy has been used as basis to determine the affordability of loans over the Medium Term Income and Expenditure Framework (MTIEF) Period. As of May 2010, the following is a summary of Total Revenue and Expenditure for the Medium Term:

	ADJUSTED BUDGET	PROJECTED BUDGET		
	2009/10	2010/11	2011/12	2012/13
OPERATING INCOME				
Property Rates	2,761,798,586	3,037,977,458	3,341,775,205	3,675,952,726
Penalties Imposed on Property Rates	100,345,916	100,345,916	110,380,508	121,418,560
Interest Earned - Outstanding Debtors	400,000,020	338,677,921	389,479,612	447,901,555
Service charges	8,764,180,293	11,627,164,933	14,249,856,423	17,535,389,773
Rent of Facilities and Equipment	42,790,684	41,870,732	45,220,387	48,838,038
Interest Earned - External Investments	59,218,841	56,373,001	64,828,952	74,553,294
Fines, Certificates & Permits	122,829,607	204,065,753	223,958,257	245,798,886
Income from Agency Services	165,158,976	149,362,314	164,298,546	180,728,405
Operating Grants, Capital Grants & Subsidies	3,017,593,072	3,492,114,350	3,860,413,484	4,245,602,484
Other Income	74,836,990	96,055,552	103,739,992	112,039,220
Internal charges - income	1,529,315,982	1,683,607,926	1,840,579,569	2,048,511,596
Less: Income forgone	(511,783,081)	(1,173,803,956)	(1,324,343,554)	(1,465,381,419)
Total Operating Income	16,526,285,886	19,653,811,900	23,070,187,381	27,271,353,118
OPERATING EXPENDITURE				

Employee Related Costs - Salaries & Wages	3,257,193,414	3,860,673,804	4,185,856,183	4,541,677,645
Employee Related Costs - Social Contributions	788,130,935	873,524,412	947,774,009	1,028,334,802
Employee Related Costs - Capitalized	(109,300,184)	(109,300,184)	(118,590,699)	(128,670,906)
Remuneration of Councillors	66,326,377	69,740,424	75,668,441	82,100,347
Bad Debts	1,354,372,981	1,372,736,652	2,164,351,810	2,615,183,630
Collection Costs	97,250,200	82,473,863	85,633,990	92,484,712
Depreciation	1,951,840,280	1,951,840,280	2,107,987,503	2,276,626,504
Repairs and Maintenance	1,782,831,453	2,044,204,050	1,976,155,126	2,192,422,974
Interest Expense - External borrowings	325,106,800	469,833,466	523,312,416	612,938,099
Bulk purchases	5,345,503,871	6,608,759,554	8,246,062,906	10,308,515,034
Contracted Services	565,080,559	710,186,469	749,524,834	839,467,812
Grants & Subsidies Paid	62,005,000	139,785,450	162,977,046	191,168,845
General Expenses - Other	1,136,359,011	1,073,262,992	1,067,888,666	1,153,177,686
Internal charges - expenditure	914,882,299	1,058,671,935	1,160,217,432	1,307,377,017
Total Operating Expenditure	17,537,582,996	20,206,393,167	23,334,819,663	27,112,804,201

OPERATING SURPLUS/(DEFICIT)	(1,011,297,110)	(552,581,267)	(264,632,282)	158,548,917
OTHER MOVEMENTS IN SURPLUS/(DEFICIT)	(230,000,000)	-	-	-
TOTAL MOVEMENT IN SURPLUS FOR THE YEAR	(1,241,297,110)	(552,581,267)	(264,632,282)	158,548,917
CAPITAL EXPENDITURE				
Funded from Internal Sources	930,644,920	358,185,664	295,897,540	302,383,684
Funded from External Loans	807,504,077	1,100,001,800	1,000,023,212	1,000,010,103
Funded from External Grants	534,828,807	701,903,643	822,230,000	859,210,000

TOTAL CAPITAL EXPENDITURE FOR THE YEAR	2,272,977,804	2,160,091,107	2,118,150,752	2,161,603,787
CASH POSITION				
Operating Surplus	(1,011,297,110)	(552,581,267)	(264,632,282)	158,548,917
Adjustments to Operating Surplus for Non Cash items	1,750,472,372	1,984,714,819	2,397,547,696	2,595,560,827
Cash Flows from Operating Activities	739,175,262	1,432,133,552	2,132,915,414	2,754,109,744
Cash Flows from Investing Activities	(2,226,643,807)	(1,938,296,904)	(2,518,150,752)	(2,561,603,787)
Cash Flows from Financing Activities	1,453,780,178	701,710,981	847,004,836	841,200,273
TOTAL CASH GENERATED	(33,688,367)	195,547,629	461,769,499	1,033,706,230
TOTAL CASH POSITION (Cash and Investments)				
Opening Cash and Cash Equivalents	1,064,929,949	1,031,241,583	1,226,789,212	1,688,558,711
Movement	(33,688,367)	195,547,629	461,769,499	1,033,706,230
Closing Cash	1,031,241,583	1,226,789,212	1,688,558,711	2,722,264,941
Plus: Investments (excl Entities)	279,319,054	73,524,545	473,524,545	873,524,545
TOTAL CASH POSITION	1,310,560,637	1,300,313,757	2,162,083,256	3,595,789,486

Source: Ekurhuleni 2010/2011 – 2012/2013 Budget

SETTLEMENT, CLEARING AND TRANSFERS OF NOTES

Words used in this section headed "Settlement, Clearing and Transfers of Notes" shall bear the same meanings as defined in the Terms and Conditions, except to the extent that they are separately defined in this section or this is clearly inappropriate from the context.

Global Certificates

Registered Notes listed on the JSE may be issued in the form of a single Global Certificate which will be lodged and immobilised in the Central Securities Depository which forms part of the settlement system of the JSE. The Central Securities Depository will be the sole Noteholder in respect of the Global Certificate.

The Central Securities Depository holds Notes subject to the Securities Services Act and the Rules of the Central Securities Depository. The Rules of the Central Securities Depository as at the date of this Programme have most recently been updated by the Registrar of Securities Services in Government Gazette No. 27758 of 8 July 2005.

While the Notes are held in the Central Securities Depository under the Global Certificate, the Central Securities Depository will be reflected as the Noteholder in the Register. Accordingly, in terms of the Terms and Conditions relating to the Notes, all amounts to be paid and all rights to be exercised in respect of the Notes held in the Central Securities Depository, will be paid to and may be exercised only by the Central Securities Depository, for the holders of Beneficial Interests in the Notes held by the Central Securities Depository under the Global Certificate.

The Central Securities Depository maintains accounts only for the Central Securities Depository Participants who are also approved settlement agents of the JSE. As at the date of this Programme Memorandum, the Settlement Agents are the South African Reserve Bank, ABSA Bank Limited, FirstRand Bank Limited, Nedbank Limited and The Standard Bank of South Africa Limited. The Central Securities Depository Participants are in turn required to maintain securities accounts for their clients. The clients of Central Securities Depository Participants may include the holders of Beneficial Interests in the Notes represented by the Global Certificate or their custodians. The clients of Central Securities Depository Participants, as the holders of Beneficial Interests or as custodians for such holders, may exercise their rights in respect of the Notes held by them in the Central Securities Depository only through the Central Securities Depository Participants. Euroclear Bank SA/N.V., as operator of the Euroclear System and Clearstream Banking *société anonyme* (Clearstream, Luxembourg) may hold Notes through their the JSE Settlement Agent, which is currently The Standard Bank of South Africa Limited.

Transfers of Beneficial Interests in the Central Securities Depository to and from clients of Central Securities Depository Participants, who are also Settlement Agents, occur by book entry in the securities accounts of the clients with Settlement Agents. Transfers among Central Securities Depository Participants of Notes held in the Central Securities Depository occur through book entry in the Central Securities Depository Participant's central security accounts with the Central Securities Depository.

Beneficial Interests in Registered Notes may be exchanged for Individual Certificates in accordance with the Terms and Conditions. Transfers of Registered Notes represented by an Individual Certificate may be made only in accordance with the Terms and Conditions and may be subject to the rules and operating procedures for the time being of the Central Securities Depository, Settlement Agents and the JSE.

Payments of interest and principal in respect of Notes represented by the Global Certificate, or any other Notes represented by a Certificate immobilised in the Central Securities Depository and registered in the name of the Central Securities Depository's Nominee, will be made in accordance with Condition 8 of the Terms and Conditions to the Central Securities Depository, or such other registered holder of the Global Certificate, as shown in the Register and the Issuer will be discharged by proper payment to, or to the order of the registered holder of the Certificate in respect of each amount so paid. Each of the persons shown in the records of the Central Securities Depository and the Central Securities Depository Participants as the holders of Beneficial Interests, as the case may be, shall look solely to the Central Securities Depository or the Central Securities Depository Participant, as the case may be, for such person's share of such payment so made by the Issuer to, or to the order of, the registered holder of such Global Certificate.

Individual Certificates

All Notes not represented by a Global Certificate, including Unlisted Registered Notes shall be issued in definitive form and represented by Individual Certificates.

Title to Unlisted Registered Notes issued in the definitive form will pass upon registration of transfer in the Register. The Issuer shall regard the Register as a conclusive record of title to the Unlisted Registered Notes.

Payments of interest and principal in respect of Individual Certificates will be made to Noteholders in accordance with Condition 8.

Uncertificated Notes

Notes in uncertificated form may be issued in terms of section 37 of the Securities Services Act and will be held in the Central Securities Depository. The Central Securities Depository's Nominee will be the registered Noteholder in respect of Uncertificated Notes.

Title to Uncertificated Notes will pass in accordance with Condition 14.3.

Payments of interest and principal in respect of Uncertificated Notes will be made to Noteholders in accordance with Condition 8.

SOUTH AFRICAN TAXATION

The information contained below is intended to be a general guide to the relevant tax laws of South Africa as at the date of this Programme Memorandum and is not intended as comprehensive advice and does not purport to describe all of the considerations that may be relevant to a prospective purchaser of Notes. Prospective purchasers of Notes should consult their own professional advisers in regard to the purchase of Notes and the tax implications thereof. Accordingly, the Issuer makes no representation and gives no warranty or undertaking, express or implied, and accepts no responsibility for the accuracy or completeness of the information contained in this paragraph. The information contained below sets out guidelines on the current position regarding South African taxation for taxpayers who hold the Notes as capital assets. Traders in these Notes should consult their own advisers.

Words used in this section headed "Income Tax" shall bear the same meanings as defined in the Terms and Conditions, except to the extent that they are separately defined in this section or this is clearly inappropriate from the context.

Income Tax

Under current taxation law in South Africa persons who or which are tax residents will, subject to any available exemptions, be taxed in South Africa on their world-wide income. A tax resident is a person who or which is a "resident" as defined in section 1 of the South African Income Tax Act, 1962 (the "Income Tax Act"). Any income received by or accrued to a resident in respect of the Notes will accordingly be subject to income taxes imposed or assessed under the Income Tax Act.

Any original issue at a discount to the nominal amount of the Notes will, in terms of Section 24J of the Income Tax Act, be treated by the revenue authorities as interest for tax purposes, and the discount amount will be deemed to accrue to the Noteholder on a yield to maturity basis as if such Noteholder were to hold the Notes until maturity. If the Notes are disposed of prior to maturity or are subject to early redemption, then the yield to maturity is re-calculated at that time.

Any original issue premium or redemption premium will be added to the nominal amount of the Notes to determine the initial amount which will be used to determine the interest which is deemed, under Section 24J of the Income Tax Act, to have been incurred or to have accrued in respect of the Notes. Interest is taxed on the basis of the yield to maturity unless an election has been made by the Noteholder (if the Noteholder is entitled to make such election) to treat the Notes as trading stock on a mark-to-market basis.

A non-resident is taxed in South Africa under the Income Tax Act only on income from a source within or deemed to be within South Africa. A non-resident is a person who or which is not a "resident" as defined in the Income Tax Act. Interest which is received or accrued in respect of the Notes during any year of assessment to any non-resident will be exempt from taxation under the Income Tax Act, unless that non-resident is a natural person who was physically present in South Africa for a period exceeding 183 days in aggregate in that year or, if that non-resident (whether or not a natural person), carried on business in South Africa at any time during that year through a permanent establishment located in South Africa.

Capital Gains Tax

Capital gains tax applies to any capital gain earned on the disposal or deemed disposal of an asset by residents, as well as to any capital gain resulting from the disposal of immovable property and any assets attributable to a permanent establishment of a non-resident located in South Africa.

A gain made on the disposal (other than by way of redemption) of the Notes by a resident Noteholder may be subject to capital gains tax.

Any discount or premium on acquisition which has already been treated as interest for income tax purposes, under section 24J of the Income Tax Act will not be taken into account when determining any capital gain or loss. In terms of section 24J(4A) of the Income Tax Act a loss on disposal will, to the extent that it has previously been included in taxable income (as interest) be allowed as a deduction from the taxable income of the holder when it is incurred and accordingly will not give rise to a capital loss.

Capital Gains Tax in terms of the Eighth Schedule to the Income Tax Act does not apply to assets such as Notes disposed of by a person who is not a resident unless the Note disposed of is attributable to a permanent establishment of that person through which a trade is carried on in South Africa during the relevant year of assessment.

Stamp duty and uncertificated securities tax

No stamp duty will be payable, in terms of the South African Stamp Duties Act, 1968, in respect of either the original issue of the Notes or on the subsequent transfer of the Notes, provided that they constitute "instruments" as contemplated in section 24J of the Income Tax Act. No uncertificated securities tax is payable, in terms of the South African Uncertificated Securities Tax Act, 1998, in respect of either the issue, cancellation redemption or the subsequent transfer of the Notes qualifying as "instruments" as contemplated in section 24J of the Income Tax Act.

Withholding tax

Under current taxation law in South Africa, all payments made under the Notes to resident and non-resident Noteholders will be made free of withholding or deduction for or on account of any taxes, duties, assessments or governmental charges in South Africa.

SUBSCRIPTION AND SALE

Words used in this section headed "Subscription and Sale" shall bear the same meanings as defined in the Terms and Conditions, except to the extent that they are separately defined in this section or this is clearly inappropriate from the context.

The Notes will be distributed by the Dealer and/or any person appointed as dealer by the Issuer in terms of the Programme Agreement dated on or about 23 July 2010 relating to the Programme.

Republic of South Africa

The Issuer and the Dealer have represented and agreed that they will not solicit any offers for subscription for the Notes in contravention of the Companies Act or the Banks Act, 1990.

United States of America

The Notes have not been and will not be registered under the United States Securities Act of 1933 ("**the Securities Act**") and may not be offered or sold within the United States or to, or for the account of or benefit of, US persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

If the Notes are in bearer form they are subject to United States tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by United States tax regulations. Terms used in this paragraph have the meanings given to them by the United States Internal Revenue Code and regulations thereunder.

The Issuer and the Dealer agree that they will not solicit offers for the subscription for, or deliver, any Notes within the United States or to, or for the account or benefit of, US persons.

United Kingdom

The Dealer has represented, warranted and undertakes to the Issuer, inter alia, and each further Dealer appointed under the Programme will be required to represent, warrant and undertake, that -

- (a) in relation to any Notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of section 90 of the Financial Services and Markets Act, 2000 ("**FSMA**") by the Issuer;
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), the Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree that, with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Notes to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of Notes to the public in that Relevant Member State:

- (a) in (or in Germany, where the offer starts within) the period beginning on the date of publication of a prospectus in relation to those Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive and ending on the date which is 12 months after the date of such publication;
- (b) at any time to legal entities which are authorised or regulated to operate in the financial markets or, if not so are authorised or regulated, whose corporate purpose is solely to invest in securities;
- (c) at any time to any legal entity which has two or more of (i) an average of at least 250 employees during the last financial year; (ii) a total balance sheet of more than €43,000,000; and (iii) an annual net turnover of more than €50,000,000 as shown in its last annual or consolidated accounts; or
- (d) at any time in any other circumstances which do not require the publication by the Issuer of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an “*offer of Notes to the public*” in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression “*Prospectus Directive*” means Directive 2003/71/EC as amended, superseded or re-instated and includes any relevant implementing measure in each Relevant Member State.

General

Neither the Issuer nor the Dealer represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder or assumes any responsibility for facilitating such sale.

SOUTH AFRICAN EXCHANGE CONTROL

Words used in this section headed "South African Exchange Control" shall bear the same meanings as defined in the Terms and Conditions, except to the extent that they are separately defined in this section or this is clearly inappropriate from the context.

Non-South African Resident Noteholders and Non-Residents from the Common Monetary Area

The information below is not intended as advice and it does not purport to describe all of the considerations that may be relevant to a prospective purchaser of Notes. Prospective purchasers of Notes that are non-South African residents or non-residents from the Common Monetary Area are urged to seek further professional advice in regard to the purchase of Notes under the Programme.

Blocked Rand may be used for the purchase of Notes. Any principal amounts payable by the Issuer in respect of the Notes purchased with Blocked Rand may not, in terms of the Exchange Control Regulations of 1961, be remitted out of South Africa or paid into any non-South African resident's bank account. For the purposes of this clause, Blocked Rand are defined as funds which may not be remitted out of South Africa or paid into a non-South African resident's bank account.

Non-Residents from the Common Monetary Area

Any Individual Certificates issued to Noteholders who are non-residents from the Common Monetary Area will be endorsed "*non-resident*". In the event that the Beneficial Interest in Notes is held by a non-resident from the Common Monetary Area through the Central Securities Depository and its relevant Settlement Agents, the securities account of such Non-resident will be designated as a "*non-resident*" account. Such restrictively endorsed Individual Certificates shall be deposited with an authorised foreign exchange dealer controlling such non-resident's blocked assets.

Any payments of interest or principal due to a non-resident Noteholder will be deposited into such non-resident's Blocked Rand account, as maintained by an authorised foreign exchange dealer. These amounts are not freely transferable from the Common Monetary Area and may only be dealt with in terms of the Exchange Control Regulations.

Non-residents of the Common Monetary Area

In terms of the Exchange Control Regulations, non-residents of the Common Monetary Area may invest in the Notes.

Any Individual Certificates issued to Noteholders who are not resident in the Common Monetary Area will be endorsed "*non-resident*". In the event that Notes are held by a non-resident of the Common Monetary Area through the Central Securities Depository and its relevant Participants, the securities account of such Noteholder will be designated as a "*non-resident*" account.

For the purposes of these paragraphs, the Common Monetary Area includes the Republic of South Africa, the Republic of Namibia and the Kingdoms of Lesotho and Swaziland.

GENERAL INFORMATION

Words used in this section headed "General Information" shall bear the same meanings as defined in the Terms and Conditions, except to the extent that they are separately defined in this section or this is clearly inappropriate from the context.

Authorisation

All consents, approvals, authorisations or other orders of all regulatory authorities required by the Issuer under the laws of the Republic of South Africa have been given for the establishment of the Programme and the issue of Notes thereunder.

Listing

The Programme has been registered with the JSE. Notes issued under the Programme may be listed on the JSE or such other or further exchange(s) as may be selected by the Issuer. Unlisted Notes may also be issued under the Programme.

Documents Available

So long as Notes are in issue under the Programme, copies of the following documents will, when published, be available from the registered office of the Issuer:

- (a) the audited annual financial statements, and the notes thereto, of the Issuer for the three financial years ended 30 June 2007, 30 June 2008 and 30 June 2009 as well as the published audited annual financial statements, and notes thereto of the Issuer in respect of further financial years, as and when such become available;
- (b) a copy of the Programme Memorandum;
- (c) each of the Applicable Pricing Supplements relating to any Notes;
- (d) a copy of each relevant Municipal Debt Disclosure Statement;
- (e) the Agency Agreement; and
- (f) any future supplements to this Programme Memorandum and any other documents incorporated herein or therein by reference.

Clearing Systems

The Notes listed on the JSE will be cleared and settled in accordance with the rules of the JSE and the Central Securities Depository, or their successors. The Notes may also be accepted for clearance through any additional clearing system as may be selected by the Issuer.

Settlement Agents

As at the date of this Programme Memorandum, the JSE-recognised Settlement Agents, who are also Central Securities Depository Participants, are The South African Reserve Bank, ABSA Bank Limited, FirstRand Bank Limited, Nedbank Limited and The Standard Bank of South Africa Limited. Euroclear and Clearstream, Luxembourg will settle offshore transfers through South African Settlement Agents.

Material Change

Save as disclosed in this Programme Memorandum, there has been no material adverse change in the financial or trading position of the Issuer since the date of the Issuer's latest audited financial statements.

Litigation

Save as disclosed herein, the Issuer is not engaged (whether as defendant or otherwise) in any legal, arbitration, administration or other proceedings, the results of which if adversely decided might have or have had a material adverse effect on the financial position or the operations of the Issuer, nor is it aware of any such proceedings being threatened or pending.

Auditors

The Auditor General has acted as the auditors of the financial statements of the Issuer for the financial years ending 30 June 2007, 30 June 2008 and 30 June 2009 and, in respect of 2007 and 2008 issued qualified audit reports and in respect of 2009 issued an unqualified audit report in respect of the Issuer.

ISSUER

Ekurhuleni Metropolitan Municipality
EGSC Building
corner Cross and Rose Streets
Germiston, 1401
Contact: Ms Annette van Schalkwyk

ARRANGER AND DEALER

Absa Capital, a division of Absa Bank Limited
(Registration Number 1986/004794/06)
15 Alice Lane
Sandton, 2196
South Africa
Contact: Ms P Nana

PAYING AGENT AND CALCULATION AGENT

Absa Capital, a division of Absa Bank Limited
(Registration Number 1986/004794/06)
15 Alice Lane
Sandton, 2196
South Africa
Contact: Mr W Green

TRANSFER AGENT

Absa Capital, a division of Absa Bank Limited
(Registration Number 1986/004794/06)
15 Alice Lane
Sandton, 2196
South Africa
Contact: Mr W Green

LEGAL ADVISERS TO THE ISSUER, ARRANGER AND DEALER

Werksmans Incorporated
(Registration Number 1990/007215/21)
155 – 5th Street
Sandown
Sandton, 2196
South Africa
Contact: Mr R Roothman

AUDITORS TO THE ISSUER

Auditor-General
61 Central Street
Houghton
Contact: Mr Mark Ambrose

SPONSOR

Absa Capital, a division of Absa Bank Limited
(Registration Number 1986/004794/06)
15 Alice Lane
Sandton, 2196
South Africa
Contact: Ms P Nana

A handwritten signature consisting of a large, stylized capital letter 'P' with a horizontal stroke extending to the right. Below the 'P' are the initials 'PN' written in a cursive style.