

JOZIBONDS

City of Johannesburg Metropolitan Municipality Retail Bonds

1 INTRODUCTION

The City of Johannesburg Metropolitan Municipality (“**CoJ**” or the “**City**”) intends to issue floating rate retail bonds to the retail market (the “**Retail Bonds**” or the “**Bonds**” or “**Jozibonds**”). The Jozibonds will be JSE listed securities which will offer an alternative investment opportunity for ordinary South Africans. This booklet summarises the features of the Jozibonds and should be read in conjunction with the Terms and Conditions of Application set out in the Application Booklet, the Terms and Condition of the Notes set out in the COJ’s Domestic Medium Term Note Programme Memorandum and the Pricing Supplements applicable to each of the Jozibonds.

Objectives of the City’s Retail Offering

The main objectives of the Bond issues are to:

- create a “Proud Johannesburg Resident” campaign whereby the City’s residents can invest directly in the City and enhance service delivery;
- diversify the City’s financial instruments currently on offer to the market;
- establish a different source of funding for the City;
- involve residents in funding the capital expenditure of the City;
- promote a savings culture with the residents of the City in line with national savings objectives.

Use of Proceeds

All amounts received will be applied by the COJ in accordance with the provisions of the Local Government: Municipal Finance Management Act, 2003 to fund capital expenditure on property, plant or equipment to be used for the purpose of achieving the objects of local government set out in section 152 of the Constitution of the Republic of South Africa, 1996 to ensure the provision of services to the communities it serves.

Credit Rating

The CoJ to date is the only municipality to have listed institutional bonds in South Africa, and has a current Fitch Ratings credit rating of A+(zaf) as well as a CA Ratings credit rating of ZaA+. The City’s most recent financial results are available at www.joburg.org.za.

2 FEATURES OF THE JOZIBONDS

- The City will issue three Jozibonds with maturities of 2, 3 and 5 years respectively.
- Each Jozibond will pay a quarterly coupon (interest payment). The coupon will be referenced against three-month JIBAR + a margin. The longer the maturity of the bond the greater the margin.
- The margins for the 2, 3 and 5 year Bonds are 5, 25 and 40 basis points respectively.

- The Bonds will be listed and tradeable on the JSE.
- Any person without a JSE brokerage account can purchase Jozibonds through the South African Post Office (“**SA Post Office**”) in Gauteng.
- Standard Bank will make a market in the Bonds (i.e. quote a bid and offer price on a daily basis).
- The Jozibonds will have a minimum investment amount of R 1000 and may only be traded in denominations of R 1000(one thousand rand) at the primary offering each Jozibond will have a Par Value of R1000 (one thousand rand).
- Any person, partnership, juristic person or other legal entity (as catered for in the Application Booklet) may invest. Minors need to be assisted by their guardians. Preference will be given to natural persons and stokvels and the City reserves the right to cut back any institutional investor in order to ensure the objectives set out above are achieved.
- Interest earned may form part of an individual’s tax interest exemption allowance.
- No brokerage is payable in the primary offering and there is no Uncertified Securities Tax payable.
- No upfront investment costs will be levied on the primary offering.
- No annual management fee will be by the City.

3 INDICATIVE TERM SHEET

	2 year Jozibond	3 year Jozibond	5 year Jozibond
Issuer	City of Johannesburg Metropolitan Municipality	City of Johannesburg Metropolitan Municipality	City of Johannesburg Metropolitan Municipality
Description of the bonds	2 year, three-month JIBAR linked Retail Bonds	3 year, three-month JIBAR linked Retail Bonds	5 year, three-month JIBAR linked Retail Bonds
Status of the bonds	Senior Listed Unsecured Retail Bond	Senior Listed Unsecured Retail Bond	Senior Listed Unsecured Retail Bond
Issue/listing date	21 September 2007	21 September 2007	21 September 2007
Closing date of offer	07 September 2007	07 September 2007	07 September 2007
Specified denomination	R 1000	R 1000	R 1000
Minimum investment amount	R 1000	R 1000	R 1000
Interest rate This equates to the following as at 23 July 2007:	Three-month JIBAR + 5 basis points (NACQ) 9.92%*	Three-month JIBAR , + 25 basis points (NACQ) 10.12%*	Three-month JIBAR, + 40 basis points (NACQ) 10.27%*

Interest Payment Dates	August, November, February and May commencing from December 2007	August, November, February and May commencing from December 2007	August, November, February and May commencing from December 2007
Interest Periods	Each period from, and including one interest payment date to, but excluding, the next interest payment date, commencing on 21 September 2007	Each period from, and including one interest payment date to, but excluding, the next interest payment date, commencing on 21 September 2007	Each period from, and including one interest payment date to, but excluding, the next interest payment date, commencing on 21 September 2007
Listing and Trading	JSE Main Board	JSE Main Board	JSE Main Board
Market Maker	Standard Bank	Standard Bank	Standard Bank

***THIS IS NOT THE FINAL INTEREST RATE AND IS FOR ILLUSTRATIVE PURPOSES ONLY. THE INTEREST RATE FOR THE FIRST INTEREST PERIOD WILL BE SET ON 21 SEPTEMBER 2007.**

4 INTEREST

Jozibonds pay a floating rate of interest that is referenced to the three-month JIBAR interest rate plus a margin.

JIBAR is the abbreviation for Johannesburg inter bank agreed rate, the rate at which South African banks buy and sell short-term money. JIBAR is a market rate that changes daily based on demand and supply dynamics and is published in the daily financial press.

- If three-month JIBAR increases, the interest rate paid on the Jozibonds increases.
- If three-month JIBAR decreases, the interest rate paid on the Jozibonds decreases.
- The interest rate on the Jozibonds is adjusted /reset every three months.
- The rate is set on each interest payment date for the following three-month period.

The interest rate determined on each interest payment date will be fixed for the interest period until the next interest payment date even though three-month JIBAR may change during that period. Interest payments will be made on the interest payment dates, being every three months, as well as on the maturity date.

On the relevant interest payment date, the interest due will be paid into the JSE broker accounts of the bondholders that were registered in the register on the predetermined record date.

5 MATURITY DATE AND REPAYMENT

The Jozibonds will be issued for terms of 2, 3 and 5 years respectively. On the relevant maturity dates, the principal amount of the 2, 3 and 5 year Jozibonds will be paid by the COJ into the JSE broker accounts of the bondholders. If you purchased through the SA Post Office, the principal will be paid into your bank account.

6 PRICING

Each Jozibond will have a par value of R1000 and will be listed on the JSE at par value. Theoretically the traded price of the Jozibonds in the secondary market should reflect the present value of future interest and principal payments less any bid-offer spread. As the Jozibonds are JIBAR-linked, it is expected that they will pull to par (revert back to R1000) on interest payment dates.

The price of Jozibonds in the secondary market will be a function of the prevailing interest rates and demand and supply dynamics. Standard Bank will post a bid and offer price, which will reflect the theoretical price less a spread to cover costs. Bondholders utilising the Post Office to access the Jozibond will not be charged any costs except if they sell prior to the maturity date. In such instance, bondholders will be charged a penalty of not less than 1.5% calculated on the quantum of Jozibonds being sold.

Jozibonds will trade *cum*-interest (inclusive of interest) between the issue date and the first last date to trade and thereafter from one interest payment date to the next following last date to trade.

Between last dates to trade and interest payment dates, that is books closed periods, the Jozibonds will trade *ex*-interest (exclusive of interest).

The bid and offer prices will be displayed through all major sources that publish JSE trading prices and may be obtained by contacting the Jozibonds call center (the "Call Centre") on **0860 11 JOZI** or **0860 11 56 94**.

7 BUYING AND SELLING

7.1 Primary Offering

In the primary offering, the Jozibonds may be subscribed for in the following ways:

- through SA Post Office branches in Gauteng; or
- through any JSE broker

SA Post Office Purchases: Jozibonds can be purchased through the Post Office in Gauteng by completing an application form which includes a debit authorisation form. You will need to produce a valid ID book (if you are a permanent resident of RSA) or a valid passport with a valid RSA temporary residence permit (if you are not a permanent resident of RSA) and proof of bank account in a South African bank in your name before the Post Office will accept your application form. Should you not hold an existing bank account, the Post Office teller will assist you in opening a bank account with Postbank provided that you shall bear the costs and charges related to the opening and maintenance of the account. You will be issued with a receipt confirming submission of your application through the Post Office. Should your application be successful, you will receive a confirmation of your purchase after the Jozibonds are listed on the JSE.

JSE Broker Purchases: In the primary offering, Jozibonds may be subscribed for through any JSE broker by giving the broker the necessary instructions. Potential investors must comply with their brokers' requirements with respect to

the subscription process, particularly cut-off dates. No brokerage or Uncertificated Securities Tax is payable by the investors in the primary offering. The Jozibonds will be listed on the JSE. Should your application be successful, within one month you will receive a confirmation of your purchase.

7.2 Secondary Market

The Jozibonds will be listed on the JSE. At any time after the primary offering and before the maturity date, existing investors may buy and sell through their JSE broker or if they initially purchased through the Post Office, through the Call Centre. New potential investors may buy Jozibonds through their JSE broker or through Post Office outlets in Gauteng. No Uncertificated Securities Tax payable by the investor in respect of secondary market trading of Jozibonds. All bondholders who purchase Jozibonds through the Post Office will pay a penalty fee of not less than 1.5% calculated on the quantum being sold should they sell their Bonds prior to the Jozibonds maturity date.

8 INVESTMENT LIMITS

The minimum investment amount that any investor can invest in the Jozibonds is R1000 (one thousand rand). The Jozibonds will have a Par Value of R1000 (one thousand rand).

There is no maximum limit on the amount that an investor can invest, however the CoJ reserves the right to refuse applications should the aggregate amount of R1 billion be reached. Preference will be given to natural persons and stockvels and the CoJ reserves the right to cut back institutional investors.

9 Taxation

The comments below are intended as a general guide to the current position under the laws of the Republic of South Africa. The contents of this section headed "Taxation" do NOT constitute tax advice and persons who are in any doubt as to their tax position should consult their own professional advisers.

The provisions of the Income Tax Act, 1962 (as amended (the "Act") pertaining to interest will apply to interest earned on the Jozibonds. Pursuant to the provisions of the Act, individuals may receive an amount of interest tax-free, as part of the interest exemption allowance. Accordingly under the allowance:

- Individuals under the age of 65 (sixty five)- an aggregate amount of **R18,000 (eighteen thousand rand)** of interest can be earned tax-free per annum
- Individuals over the age of 65 (sixty five) – an aggregate amount of **R26,000 (twenty-six thousand rand)** of interest can be earned tax-free per annum

Investors are however, advised to consult their own tax consultant for advice on

- whether or not they qualify for an exemption under the Act;
- the tax implications of the Jozibonds based on their specific tax position.

10 Eligibility

All natural persons and legal entities in the form of private companies, public companies, stokvels and who operate bank accounts with financial institutions in the Republic of South Africa are eligible to purchase Jozibonds.

11 Proof of Ownership

Jozibonds will be issued and trade in uncertificated form and proof of ownership will be recorded in the register maintained by STRATE. Proof of ownership can be requested from your broker.

12 Statement of Account

Your broker will send you confirmation of your investment in the Jozibonds. If you purchased through the SA Post Office, you will receive, on a quarterly basis, a statement of account setting out your investor number, your personal particulars; the amount invested in each of the Jozibonds, interest rates payable and maturity dates of respective investments, the bank details into which you choose to receive your interest or the capital balance on maturity, and a confirmation of nomination of beneficiary and particulars of nominated beneficiaries. Should any particulars reflected on the statement not be correct, you must notify the Call Centre or your JSE broker.

13 Events of default

There are certain events of default contemplated in respect of the Bonds such as the CoJ's failure to pay interest on, or the repayment of the principal amount of, the investment. If these circumstances prevail, bondholders have certain rights, further details of which are contained in the Terms and Conditions of the Notes set out in the Programme Memorandum as read with the Pricing Supplement applicable to your Jozibond.

14 Risk Factors

Jozibonds involve certain risks. Any investment in the Jozibonds exposes the bondholder to all the risks a normal bondholder with the City is exposed to. The following is not meant to be a complete list of the risks faced by the bondholder, they are some of the major risk factors and any bondholder must take his/her own independent investment advice when deciding whether or not to invest in the Jozibonds:

Issuer Risk – the risk of the City not being in a position to make payments of interest and/or capital as and when required.

Interest Rate Risk – the risk of a rise or fall in short term interest rates. The interest amount payable on floating rate Jozibonds resets periodically. In the case of a Jozibond linked to a three-month benchmark rate, the bondholder runs a maximum of three months interest rate risk.

Liquidity Risk - the risk that a bondholder will not be able to sell a Jozibond as and when desired. Standard Bank has undertaken to make a market in the Jozibonds and will offer a bid (or buying) price and an offer (or selling price) at all times on the JSE.

15 Death of a Bondholder

In respect of Jozibond purchases made through the SA Post Office, in the event a beneficiary having been nominated, upon the death of the bondholder and after receipt of certified copies of the beneficiary's identity document, personal bank statement and any other documents required by the City or its agents, the nominated beneficiary shall be deemed to be the new bondholder.

16 Customer support

For customer support please phone **0860 11 JOZI** or **0860 11 56 94** during office hours, Mondays to Fridays between 08h30 and 17h00. If you purchased through the SA Post Office, have your investor number and identity number ready.

Glossary

Three-month JIBAR	Is the three-month Johannesburg interbank agreed rate, the average interest rate at which banks buy and sell three-month money. This rate is calculated daily by SAFEX as the average rate quoted by the various banks. The three-month JIBAR rate can be viewed on SAFEX Money Market Information page on Reuters 0#SFXMM:.
Accrued Interest	The Jozibonds accrue daily interest on the principal amount. The interest earned since the last interest payment date is typically referred to as the accrued interest. This interest earned is included in the theoretical price of Jozibonds because if a Jozibond is bought in the market, the buyer will receive the interest on the interest payment date and the seller needs to be compensated for the interest accrued to the date of sale of the Bond.
Bid Price	The price at which a buyer or the market maker is willing to buy Jozibonds. This price will be displayed in the JSE trading system and will be the price at which a noteholder is able to sell Jozibonds in the market.
Bid-Offer Spread	The difference between the best bid price and best offer price in the market and is a function of the cost to buy and sell securities on the JSE.
Books Closed period	The period for which a Jozibond trades ex-interest. If a Jozibond is bought during this period, the noteholder will not be recorded as the registered holder for the purposes of the upcoming interest payment and hence will not receive that interest payment.
Credit Rating	A rating by a rating agency such as FitchRatings or CA Ratings that rates the ability of a company to meet its financial obligations.
Cum-interest	This means that accrued interest is included in the traded price. Jozibonds traded <i>cum-interest</i> are entitled to an interest payment on the following interest payment date.
Domestic Medium Term Note Programme	This is a programme established by the CoJ to facilitate multiple bond issues. The documentation includes the terms and conditions of various securities that the CoJ can issue and the process governing such issuance.
Events of Default	This is a legal term, contained in the terms and conditions of the Bonds that defines when the City is in breach of its obligations under the Bonds, such as non-payment under the Bonds.
Ex-interest	This means that accrued interest is not included in the traded price. Jozibonds traded <i>ex-interest</i> are not entitled to an interest payment on the following interest payment date.
Floating Rate	This is an interest rate that varies over the term of the Jozibond and adjusts based on movements of the underlying interest rate, being three-month JIBAR.
Interest Exemption Allowance	This is the tax-free allowance for interest income according to the Income Tax Act.
JSE	The JSE Limited, licensed as an exchange under the Securities Services Act, No. 36 of 2004, as amended.
JSE Broker Account	An account opened with a JSE broker that enables an individual or legal entity to trade securities on the JSE in compliance with the Financial Intelligence Centre Act.
Last Date to Trade	This is the last day to trade in the Bonds in order to be recorded in the Register as a noteholder and accordingly to be entitled to receive interest on the next interest payment date.
Market maker/Make a Market	Standard Bank will act as a market maker in the Jozibonds. This means that Standard Bank will always provide investors with the facility to liquidate an investment in Jozibonds by quoting a bid price on the JSE or the opportunity to buy Jozibonds by quoting an offer price on the JSE.
Maturity Date	Is the date upon which the principal deposit amount in respect of a Jozibond is repaid.
Minimum Deposit Amount	This is the minimum rand amount of Jozibonds that an investor can

	subscribe for in the primary offering.
NACQ	Nominal annual compounded quarterly.
Offer Price	Price at which a seller or the market maker is willing to sell Jozibonds. This price will be displayed in the JSE trading system and will be the price at which Jozibonds can be bought in the market.
Par Value	Is the specified denomination of one Jozibond and is the value used to calculate interest. Par value is typically 100% of the nominal or principal value.
Pricing Supplement	contains the specific terms and conditions of a Jozibond and should be read in conjunction with the Programme Memorandum. If there is an inconsistency between the Pricing Supplement and the Programme Memorandum, the Pricing Supplement takes precedent.
Primary Offering	Is the initial offer of Jozibonds to the market.
Programme Memorandum	Is a legal document which, in conjunction with the Pricing Supplement prepared in respect of a specific Bond issue, contains the terms and conditions of that Bond.
Record Date	Is the date by which an investor must be recorded in the register in order to be entitled to receive interest.
Register(s)	The electronic register maintained by STRATE, evidencing ownership of Jozibonds.
Secondary Market	The buying and selling of Jozibonds on the JSE subsequent to the primary offering.
STRATE	The Central Securities Depository that maintains the securities' register and facilitates the trading and settlement of JSE listed securities.
Uncertificated	A security in respect of which ownership is evidenced by recordal in an electronic register maintained by STRATE as opposed to by issue of a certificate.
Uncertificated Securities Tax	The tax paid on the buying of certain Uncertificated securities on the JSE.

FREQUENTLY ASKED QUESTIONS

What is a bond?

A loan from an investor to an entity (company or government) that borrows the funds for a certain period at a certain interest rate.

Who issues bonds?

Central and municipal governments, parastatals and companies issue bonds to raise capital as part of their funding programme for capital projects on general corporate requirements.

What is a Jozibond?

A bond whose minimum denomination is small enough to allow the general public to purchase.

Who is eligible to purchase the City's Jozibond?

To be eligible to purchase the City's Jozibond you must be

- a natural person (under the age of 18 requires your guardian's assistance)
- a legal entity (i.e. Trust, Company or a Close Corporation)
- A partnership or stokvel.

What are the benefits to investors, of investing in Jozibonds?

Investors will be investing in the future of the City and at the same time will be rewarded with an attractive return on their investment which is normally only accessible to institutional investors.

How much can I invest?

The minimum amount a single individual or entity can invest is R1000.

How long can I invest for?

The bonds are available in 2, 3 and 5 year maturities.

Will the interest rates be different for the 2-year, 3-year and 5-year Jozibonds?

Yes. Each bond will have a different interest rate. The longer the maturity the higher the interest rate that will be paid to an investor.

How will the Jozibonds be priced?

The bonds will be benchmarked against three month rate used by banks when borrowing and lending money to each other (also known as JIBAR).

What is the three-month JIBAR?

It is the three-month Johannesburg interbank agreed rate, the average interest rate at which banks borrow and lend money for a 3-month period. This rate is calculated daily by SAFEX as the average rate quoted by the various banks.

How will my interest be paid to me?

Interest will be paid directly into your JSE broker account. If you purchased Jozibonds through the SA Post Office, interest will be paid into your bank account.

How often will my interest be paid to me?

The interest payments will be paid quarterly (four times a year) with a final interest payment on the maturity date.

What if I want my interest to be paid to me by cheque?

All payments including repayment of the capital amount, can only be paid into a bank account in the name of the registered holder.

What if I do not have a bank account?

If you don't have a bank account with a registered financial institution you can open one with a registered bank or at the Postbank.

How will my capital be repaid to me?

Capital will be repaid directly into your bank account on the maturity date.

What will I need when I buy a Jozibond?

If you are a natural person, you will need:

- A valid Republic of South Africa identity book (if a resident) or a passport (if a foreigner)
- Proof of your residence
- Your personal bank account details
- A completed application form
- An amount not less than R1000

If you are under 18 you will also need:

- Your guardian's signature on the Application Form.

What is FICA?

It is the Financial Intelligence Centre Act, No. 38 of 2001 which obliges certain institutions to ensure that the identity of the customers is known and that no transaction is undertaken with suspect or money laundered funds.

Will I have to pay any fees, commissions, charges or costs?

No. There are no fees, commissions, charges or costs payable when you buy a bond at the initial public offering or through the South African Post Office. There is a penalty payable of not less than 1.5% calculated on the withdrawal amount if you originally purchased the bond through SAPO and you withdraw any of the amounts invested before the expiry of the investment period.

How do I make an early withdrawal?

- Call the call centre – **0860 11 JOZI** or **0860 11 56 94**
- Your funds will be deposited into your bank account as soon as the trade is executed to sell your bonds.

Can I invest an amount of R1000 but spread it over the 3 different bonds?

No. Each Jozibond that you buy must be for a minimum amount of R1000.

Can I buy a second Jozibond for less than R1000 if I already own a Jozibond of at least R1000?

No. Each Jozibond must be at least R1000 (One Thousand Rand).

Can I buy a Jozibond jointly with a friend if I have R500 and my friend has R500?

No. The Jozibond can only have one registered owner.

Can I invest in a Jozibond through my stokvel?

Yes.

Can I buy a Jozibond in the name of my 16 year old daughter?

Yes. As guardian you would need to fill out the appropriate sections of the application form on her behalf.

How do I pay for Jozibonds?

You sign an authorisation to debit your bank account on the application form, which authorises the City or its agent to debit the amount you want to buy directly from your bank account.

Where can I purchase Jozibonds?

An investor can purchase a Jozibond at:

- any South African Post Office (SAPO) in Gauteng,
- through your JSE broker.

What is the secondary market?

It is when you buy or sell bonds on the JSE after the initial public offering.

How can I trade Jozibonds in the secondary market?

- through the call centre – **0860 11 JOZI** or **0860 11 56 94**
- through your JSE Broker.

Are proceeds from Jozibonds subject to tax?

Yes. Any interest received is subject to income tax.

How safe is my investment?

The City of Johannesburg is a regular borrower in South Africa's debt capital market and has successfully launched four bonds totalling R3.9 billion and has never defaulted on a payment. The City has been rated A+ by rating agency Fitch and ZaA+ by CA Ratings.

Will I be issued with a certificate as proof of ownership?

No. You will receive a broker note confirming your purchase.

Can I sell my Jozibond?

Yes. Call the call centre – **0860 11 JOZI** or **0860 11 56 94**

Can I use my Jozibond or the interest payments as security for a loan?

No.

What if I move bank accounts, get married or want to change my beneficiary?

Call the call centre – **0860 11 JOZI** or **0860 11 56 94**

Will my Jozibond form part of my estate if I die?

There is a nomination section in the application form that you can fill in to nominate a beneficiary.

What happens if I fill in the application form incorrectly or fail to submit any documentation required (e.g. ID book)?

The City will reject your application.

DISCLAIMER

The City of Johannesburg Metropolitan Municipality ("CoJ") has made every effort to ensure the accuracy and completeness of the information contained in this document. The information is not intended as advice and no warranty express or implied is made as to the accuracy, correctness or completeness of the information, which is subject to change at any time after publication without notice. Should the information lead you to consider entering into any transaction in relation to a financial product of any sort whatsoever including but not limited to retail bonds with the CoJ ("the Retail Bonds") you must take note of the following: There are intrinsic risks involved in transacting in any Retail Bond. No guarantee is provided for the investment value in a Retail Bond. Any forecasts based on hypothetical data are not guaranteed and are for illustrative purposes only. Returns may vary as a result of their dependence on the performance of underlying assets and other variable market factors. Past performances are not necessarily indicative of future performances. Unless a financial needs analysis has been conducted to assess the appropriateness of the Retail Bond, investment or structure to your unique particular circumstances, CoJ cautions you that there may be limitations on the appropriateness of the information for your purposes and you should take particular care to consider the implications of entering into the transaction, either on your own or with the assistance of an investment professional. There may be various tax implications to consider when investing in the product and you must be aware of these implications before investing. CoJ does not accept liability for the tax treatment by any court or by any authorities in any jurisdiction in relation to any transaction based on the information. It is strongly recommended that individual tax advice be sought before entering into any such transaction.