

**Strictly Private & Confidential**

Ref. No. TADB/VOL.1/299/DCB/2020/26

04<sup>th</sup> May, 2020

The Managing Director,  
M/S Dag Farm Company Limited,  
P. O. Box 22,  
Tarime, Mara.

Dear Sir,

**RE: CREDIT FACILITY - LETTER OF OFFER**

Tanzania Agricultural Development Bank Limited ("TADB or the Bank") is pleased to offer to Dag Farm Company Limited or the Borrower banking facility ("the Facility") outlined below on the terms and conditions set out in this Offer letter, subject to the covenants set out herein, and subject to the satisfactory completion of all pre-disbursement conditions and security documentation as specified in this offer.

**TERMS AND CONDITIONS APPLICABLE FOR THE FACILITY:**

**FACILITY: MEDIUM TERM LOAN**

**1. Loan Amount:**

TZS 498,288,000 /= (Say Tanzanian Shillings Four Hundred Ninety Eight Million Two Hundred Eighty Eight Thousand Only)

**2. Purpose of the facility:**

To finance modernization of the existing business which include the following items.

Item	Quantity	Price (USD)	Total (TZS)
1. Bulk milk cooling tanks 1000L	2	8,370	38,502,000
2. Batch pasteurized Electric powered 1500L	1	12,990	29,877,000
3. Yoghurt Aging tank 1500L	1	18,550	42,665,000
4. Aluminium Milk Can 50 L	20	115	5,290,000
5. Laboratory with a lacto scan (9 parameter)	1	4,060	9,338,000
6. Cold room 40ft	1	41,990	96,577,000
7. Bulk milk transport road tanker without truck 3000L	1	18,560	41,400,000
8. Yoghurt packaging crates	300	5.8	4,002,000
9. 62.5KVA Prime rated Green Diesel Generator with canopy	1	18,560	42,688,000
10. Display fridge branded 'skolts'	10	695	15,985,000
11. Air compressor system	1	8,368	19,246,000
12. Automatic Yogurts cup filling and sealing machine	1	44,660	102,718,000
13. Working Capital			50,000,000
<b>TOTAL</b>			<b>498,288,000</b>

### **3. Availability**

Available for draw down in Tanzania Shillings after fulfilment of pre-disbursement conditions.

### **4. The Loan Disbursement:**

- i. The funds for working capital shall be disbursed directly to borrowers account held at TIB-CBL upon the Borrower's written instructions.
- ii. The funds shall be disbursed directly to service providers/suppliers upon Borrower's written instructions accompanied with relevant documents acceptable to TADB. Where necessary, Letter of Credit (LC) may be used in the procurement/purchase of equipment/machines from abroad.

### **5. Procurement**

All procurement of goods, works and consulting services shall follow government procurement procedures.

### **6. Sources of Repayments**

Sales proceeds from milk products and other business lines of the company and sister companies shall be used to repay the loan.

### **7. Interest rate**

Interest charged will be 13% p.a. Interest during grace period will be paid on monthly basis from existing business.

### **8. Repayment Period**

Repayment period is 60 months including a grace period of 12 months.

### **9. Grace Period**

The facility will have a grace period of 12 months. The grace period may be reduced depending on the completion of project implementation.

### **General Terms and Conditions:**

#### **10. Interest service:**

The borrower shall make sufficient deposit into the account to meet the interest which accrues monthly and is payable concurrently with the principal instalment.

#### **11. Appraisal Fees**

Borrower will be required to pay appraisal fees of 1% of the approved loan facility.

#### **12. Security: The following securities shall secure loan:**

- i. **Debenture** creating charge of fixed and floating assets of the company
- ii. **First rank Legal Mortgage** over factory building located on Plot No. 1,3,5,7 L.O No. 525808 in the name of Dag Farm Company Limited

- iii. **First rank Legal Mortgage** over Farm No 218 L.O 366825 in the name of Julius Wankuru Gimunta
- iv. PASS Guarantee 60%
- v. **Corporate Guarantee** from Julius G. Co. Ltd
- vi. **Personal guarantee** of the shareholders of the company namely Julius Wankuru Gimunta and Yunis Ghat.

### **13. Pre-disbursement Conditions:**

- i. Submission of resolution by the Board members accepting the terms and conditions of the offer letter
- ii. Opening of a bank account at TIB-CBL
- iii. Perfection of Security and Legal documents as per lender's satisfaction.
- iv. Submission of current filed annual returns, and project Implementation schedule.
- v. Submission of current proforma invoices for the machineries and equipment to be purchased.
- vi. Submission of current land rent receipts and service charges clearance certificates for all properties to be mortgaged
- vii. Purchase of insurance cover by the Borrower in respect of all assets of the Borrower and any assets mortgaged to TADB against all risks, which they may be exposed to with TADB noted as Loss Payee.
- viii. Submission of Letter of Undertaking to meet machinery installation costs and all the project's cost overruns (if any)
- ix. Submission of PASS guarantee certificate

### **14. Specific Conditions:**

- i. Submission of TBS certificate of the products offered by the company
- ii. The Borrower hereby irrevocably authorises TADB to debit from time to time any account it may have with the Bank, and or any amount due to TADB in connection with the facility.
- iii. The Borrower shall make adequate provisions to cover all cost overruns of the project and provide satisfactory proof thereof.
- iv. The Borrower shall submit to the bank annual land rent receipts (i.e. land rent to be paid on or before 30th June for each year) for all the properties to be mortgage to TADB for as long as any amount of principal or interest remains outstanding.
- v. Promoters to make sure that proforma invoices in support of disbursement requests are issued by reputable suppliers and indicate brand, key product specifications, price, payment terms, mode and time of delivery.

**15. General Conditions:**

No further borrowing without written prior written approval of the bank

**16. Expenses:**

All expenses in connection with the arrangement of the facility, including costs of stamp duty and registration of the security documents, legal and other expenses shall be on the account of the Borrower.

**17. Consent clause:**

The Borrower agrees and authorizes TADB or Credit Bureau approved by The Bank of Tanzania (BOT) to:

- i. Make enquiries from any bank, financial institution or BOT approved credit reference bureau in Tanzania to confirm any information provided by the Borrower;
- ii. Seek any information from any bank, financial institution or BOT approved credit reference bureau when assessing the Borrower at any time during the existence of the Borrower's account;
- iii. Disclose to BOT approved credit reference bureau information relating to the account maintained at the bank.
- iv. The borrower is hereby agree that in the course of this relationship; there will be sharing of information's with TIB-Corporate Bank Limited.

**A. COVENANTS**

- i. No further borrowings without prior written consent of TADB.
- ii. The Borrower hereby irrevocably authorizes TADB through its agent TIB-CBL to debit from time to time any account the Borrower may have with other banks, all or any amount due to TADB in connection with the facility.
- iii. The credit facility shall be used strictly for the intended purposes.

**B. REPRESENTATIONS AND WARRANTIES**

The Borrower represents and warrants to the Bank from and after the date hereof, so that such representations and warranties shall be deemed to remain valid at all times so long as any sums shall remain actually or contingently owing to TADB, that: -

- i. The Borrower is duly constituted and validly existing under the laws of Tanzania and that it has the power and authority to own property and assets and to carry on business as it is now being conducted.
- ii. The Borrower's execution of the Finance Documents (which term shall refer to this Letter, and to any other document the Borrower may be required to execute in relation to the facilities offered herein) and the performance of their terms are within the Borrower's powers and have been duly authorised by all necessary actions and do not and will not contravene any law or any contractual or other restriction binding upon the Borrower and will not result in the creation or imposition of any encumbrance on its property, assets or revenues otherwise than as contemplated by this Letter.
- iii. Each Finance Document shall on the execution constitute a legally binding obligation enforceable in accordance with its respective terms.
- iv. DAG FARM COMPANY LIMITED should at the end of financial year, prepare and submit the audited accounts; and the audited accounts should;
  - a) Have been prepared in accordance with generally accepted international accounting standards, consistently applied; and
  - b) Fairly represent the financial condition of (DAG FARM COMPANY LIMITED) as at the date to which they were drawn up.
  - c) DAG FARM COMPANY LIMITED should also submit quarterly management accounts to TADB to see the business trends of the projects.
- v. DAG FARM COMPANY LIMITED shall ensure that no material adverse change in the financial position of the BIL since the date to which the accounts referred to in clause (4) above were drawn up.
- vi. Save as previously disclosed to the Bank in writing, no litigation, arbitration or administrative proceedings are current or, to DAG FARM COMPANY LIMITED's knowledge, pending or threatened, which if adversely determined, are likely to have a material adverse effect on DAG FARM COMPANY LIMITED's business or financial condition or the ability to perform its obligations under the Finance Documents.
- vii. There is no dispute or litigation whatsoever subsisting between DAG FARM COMPANY LIMITED shareholders or between its management and the shareholders. If any such dispute or litigation is threatened, occurs or is instituted, the Borrower will notify the Bank forthwith.

The facility offered herein may be terminated at any time if the representations and warranties are found not to be or cease to be true.

**ACCEPTANCE:**

This Credit Facility Offer Letter once accepted shall remain in full force and effect, subject to termination as aforesaid, throughout the life of the facilities enumerated herein provided the facilities or any part thereof are being utilized.

Please signify acceptance of the foregoing by signing and returning to us the copy of this letter, within **14 days** from the date of this letter.

Yours Sincerely,

**TANZANIA AGRICULTURAL DEVELOPMENT BANK**



Japhet Justine

**MANAGING DIRECTOR**

