

CONFORMED COPY

LOAN NUMBER 3122 MOR

(Second Housing Finance Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

and

REAL ESTATE AND HOTEL FINANCE COMPANY

Dated October 27, 1989

LOAN NUMBER 3122 MOR

LOAN AGREEMENT

AGREEMENT, dated October 27, 1989, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) and REAL ESTATE AND HOTEL FINANCE COMPANY (the Borrower).

WHEREAS (A) the Kingdom of Morocco (the Guarantor) and the Borrower, having been satisfied as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, have requested the Bank to assist in the financing of the Project;

(B) by an agreement (the Guarantee Agreement) of even date herewith between the Guarantor and the Bank, the Guarantor has agreed to guarantee the obligations of the Borrower in respect of the Loan and to undertake such other obligations as set forth in the Guarantee Agreement; and

WHEREAS the Bank has agreed, on the basis, inter alia, of the foregoing, to extend the Loan to the Borrower upon the terms and conditions set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Loan and Guarantee Agreements" of the Bank, dated January 1, 1985, with the modifications set forth in Schedule 4 to this Agreement (the General Conditions) constitute an integral part of this Agreement.

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective meanings therein set forth, and the following additional terms have the following meanings:

(a) "Sub-loan" means a loan made or proposed to be made by the Borrower in part out of the proceeds of the Loan to a Beneficiary for a Sub-project;

(b) "free-limit Sub-loan" means a Sub-loan which qualifies as a free-limit Sub-loan pursuant to the provisions of subparagraph 3 (b) of Schedule 5 to this Agreement;

(c) "Beneficiary" means a household or developer to which the Borrower proposes to make or has made a Sub-loan;

(d) "Sub-project" means a specific sub-project under Part A or B of the Project to be carried out by a Beneficiary utilizing the proceeds of a Sub-loan;

(e) "Statutes" means the statutes of the Borrower dated December 21, 1988, as amended to the date of this Agreement;

(f) "Statement of Policy" means the statement of lending and investment policy approved by the Directors of the Borrower on June 17, 1974, as amended to the date of this Agreement;

(g) "Credit Policy Guidelines" means the Borrower's credit policy guidelines dated May 15, 1989, as amended to the date of this Agreement;

(h) "Low-cost Dwelling" means a housing unit whose estimated value is DH 150,000 or less;

(i) "Moderate-cost Dwelling" means a housing unit whose estimated value is more than DH 150,000 but not in excess of DH 300,000;

(j) "estimated value" means the estimated construction and related cost of a housing unit plus the cost of the land on which such housing unit is to be constructed at the value of not more than DH 10,000 in the case of a Low-cost Dwelling and not more than DH 20,000 in the case of a Moderate-cost Dwelling;

(k) "Dirham" and "DH" mean the currency of the Guarantor; and

(l) "Foreign Exchange Risk Coverage Scheme" means the scheme established pursuant to the letter No. 3/5187 dated June 19, 1989 from the Guarantor's Ministry of Finance to the Borrower, related to the coverage of foreign exchange risk.

ARTICLE II

The Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Loan Agreement, in various currencies that shall have an aggregate value

equivalent to the amount of seventy-seven million five hundred thousand dollars (\$77,500,000), being the sum of withdrawals of the proceeds of the Loan, with each withdrawal valued by the Bank as of the date of such withdrawal.

Section 2.02. The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement for: (i) amounts paid (or, if the Bank shall so agree, to be paid) by the Borrower on account of withdrawals made by a Beneficiary under a Sub-loan for a Sub-project, under Part A, B(1) or B(2) of the Project, to meet the reasonable cost of goods and services required for such Sub-project and to be financed out of the proceeds of the Loan; (ii) amounts paid (or, if the Bank shall agree, to be paid) by the Borrower on account of withdrawals made by a Beneficiary under a Subloan for a Sub-project under Part B(3) or B(4) of the Project to meet the reasonable cost of the dwelling provided under such Sub-project and to be financed out of the proceeds of the Loan; and (iii) expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of services required for Part C of the Project and to be financed out of the proceeds of the Loan.

Section 2.03. The Closing Date shall be December 31, 1994 or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower and the Guarantor of such later date.

Section 2.04. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one per cent ($3/4$ of 1%) per annum on the principal amount of the Loan not withdrawn from time to time.

Section 2.05. (a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time at a rate per annum for each Interest Period equal to one-half of one percent per annum above the Cost of Qualified Borrowings for the last Semester ending prior to the commencement of such Interest Period.

(b) As soon as practicable after the end of each Semester, the Bank shall notify the Guarantor and the Borrower of the Cost of Qualified Borrowings for such Semester.

(c) For purposes of this Section:

- (i) "Interest Period" means the six-month period commencing on each date specified in Section 2.06 of this Agreement, including the Interest Period in which this Agreement is signed.
- (ii) "Cost of Qualified Borrowings" means the cost of the outstanding borrowings of the Bank drawn down after June 30, 1982, expressed as a percentage per annum, as reasonably determined by the Bank.
- (iii) "Semester" means the first six months or the second six months of a calendar year.

Section 2.06. Interest and other charges shall be payable semi-annually on January 15 and July 15 in each year.

Section 2.07. The Borrower shall repay the principal amount of the Loan in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.

ARTICLE III

Execution of the Project; Management and Operations of the Borrower

Section 3.01. The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall carry out the Project and

conduct its operations and affairs in accordance with sound financial standards and practices, with qualified management and staff in adequate numbers, and in accordance with the Statutes, the Statement of Policy and the Credit Policy Guidelines and shall provide promptly as needed, the funds, facilities, services and other resources required for the Project.

Section 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, the Borrower shall:

(a) (i) make Sub-loans to Beneficiaries for Sub-projects, on the basis of the criteria, procedures and terms and conditions set forth or referred to in Schedule 5 to this Agreement; and (ii) exercise its rights in relation to each such Sub-project in such manner as to protect the interests of the Bank and the Borrower, comply with its obligations under this Agreement, and achieve the purposes of the Project; and

(b) supervise and monitor the carrying out by the Beneficiaries of their respective Sub-projects, in accordance with existing policies and procedures satisfactory to the Bank.

Section 3.03. (a) In order to assist the Borrower in carrying out Part C of the Project, the Borrower shall employ consultants: (i) whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Bank; and (ii) who shall be selected in accordance with principles and procedures satisfactory to the Bank on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by The World Bank as Executing Agency" published by the Bank in August 1981.

(b) The Borrower shall (i) employ consultants, in accordance with the provisions of paragraph (a) of this Section, not later than June 30, 1990 to assist the Borrower in carrying out the study included in Part C(1) of the Project and not later than December 31, 1990 to assist the Borrower in carrying out the study included in Parts C(2) and C(3) of the Project; (ii) take all measures necessary to ensure that said studies shall be completed and copies thereof, together with the recommendations based thereon, shall be furnished to the Bank not later than December 31, 1991; (iii) afford the Bank a reasonable opportunity to exchange views with the Borrower on said studies and recommendations; and (iv) thereafter, promptly take all measures necessary to carry out said recommendations taking into account the Bank's comments thereon.

ARTICLE IV

Financial Covenants

Section 4.01. The Borrower shall maintain procedures and records adequate to monitor and record the progress of the Project and of each Sub-project (including its cost and the benefits to be derived from it) and to reflect in accordance with consistently maintained sound accounting practices the operations and financial condition of the Borrower.

Section 4.02. (a) The Borrower shall:

- (i) have the records referred to in Section 4.01 of this Agreement, its accounts and financial statements (balance sheets, statements of income and expenses and related statements) for each fiscal year audited in accordance with sound auditing principles consistently applied, by independent auditors acceptable to the Bank;
- (ii) furnish to the Bank, as soon as available but in any case not later than six months after the end of each such year, (A) certified copies of said financial statements for such year as so audited and (B) the report of such audit by said auditors,

of such scope and in such detail as the Bank shall have reasonably requested; and

- (iii) furnish to the Bank such other information concerning the said records, accounts and financial statements and the audit thereof as the Bank shall from time to time reasonably request.

(b) For all expenditures with respect to which withdrawals from the Loan Account were made on the basis of statements of expenditure, the Borrower shall:

- (i) maintain, in accordance with Section 4.01 of this Agreement, records and accounts reflecting such expenditures;
- (ii) retain, until at least one year after the Bank has received the audit report for the fiscal year in which the last withdrawal from the Loan Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Bank's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (a) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

Section 4.03. Except as the Bank may otherwise agree, the Borrower shall:

(a) utilize all amounts received by the Borrower in payment of interest or other charges on, or repayment of principal under, Sub-loans to the extent they are not yet required to meet the Borrower's payment obligations to the Bank under this Agreement, exclusively to finance the construction or purchase of Low-cost and Moderate cost Dwellings in accordance with the Borrower's Credit Policy Guidelines;

(b) maintain procedures satisfactory to the Bank to enable the Borrower properly to monitor the Borrower's utilization of the amounts referred to in paragraph (a) of this Section; and

(c) furnish to the Bank at regular intervals all such information as the Bank may reasonably request concerning the utilization of said amounts.

Section 4.04. (a) The Borrower shall take such steps satisfactory to the Bank as shall be necessary to protect itself against risk of loss resulting from changes in the rates of exchange between the currencies (including the currency of the Guarantor) used in its operations.

(b) Without limitation the provisions of paragraph (a) of this Section, and except as the Bank may otherwise agree, the Borrower shall at all times maintain its participation in the Foreign Exchange Risk Coverage Scheme in accordance with the requirements thereof.

Section 4.05. (a) Except as the Bank shall otherwise agree, the Borrower shall: (i) earn an annual return on its operations of not less than 2.2%; (ii) maintain, for each of its fiscal years after its fiscal year ending on December 31, 1988, a ratio of total operating expenses to the average value of total assets of

not higher than 1.3%; (iii) maintain a ratio of current assets to current sight deposits of not less than 1:5; and (iv) maintain a ratio of equity to total assets of not less than 1:18.

(b) Before June 30 in each of its fiscal years, the Borrower shall, on the basis of forecasts prepared by the Borrower and satisfactory to the Bank, review whether it would meet the requirements set forth in paragraph (a) in respect of such year and the next following fiscal year and shall furnish to the Bank the results of such review upon its completion.

(c) If any such review shows that the Borrower would not meet the requirements set forth in paragraph (a) for the Borrower's fiscal years covered by such review, the Borrower shall promptly take all necessary measures (including, without limitation, submission of proposals for approval by the Guarantor to adjust the structure or levels of its interest rates and other financial charges) in order to meet such requirement.

(d) For purposes of this Section:

- (i) The annual return on the Borrower's lending operations shall be calculated by subtracting the Borrower's total financial expenses for the fiscal year in question from its total operating revenues for said fiscal year and dividing the result by the average value of the Borrower's total assets.
- (ii) The term "total assets" means total assets in the audited balance sheet of the Borrower.
- (iii) The term "total operating revenues" means revenues from all sources for the fiscal year in question.
- (iv) The term "total financial expenses" means all interest and other charges on indebtedness of the Borrower, provisions for losses on loans made by the Borrower, and the foreign exchange losses referred to in Section 4.04 of this Agreement.
- (v) The average value of the Borrower's total assets shall be calculated as one half of the sum of the value of the Borrower's total assets at the beginning and at the end of the fiscal year.
- (vi) The term "total operating expenses" means all expenses related to operations, including administration, adequate maintenance, taxes and payments in lieu of taxes, and provision for depreciation on a basis acceptable to the Bank, but excluding interest and other charges on debt.
- (vii) The term "current assets" means all cash and marketable securities of the Borrower, consisting primarily of bonds issued by the Guarantor.
- (viii) The term "current sight deposits" means all checking accounts maintained by the Borrower.
- (ix) The term "equity" means the sum of the total unimpaired paid-up capital, retained earnings and reserves of the Borrower not allocated to cover specific liabilities, including the part of provisions for loan losses which may be allocated to general reserves according to the annual audit report.
- (x) Whenever for the purposes of this Section it shall be necessary to value, in terms of the currency of the Guarantor, debt payable in another currency, such valuation shall be made on the basis of the prevailing lawful rate of exchange at which such

other currency is, at the time of such valuation, obtainable for the purposes of servicing such debt, or, in the absence of such rate, on the basis of a rate of exchange acceptable to the Bank.

Section 4.06. (a) Except as the Bank shall otherwise agree, the Borrower shall not incur any debt, if after the incurrence of such debt the ratio of debt to equity shall be greater than 15 to 1.

(b) For purposes of this Section:

- (i) The term "debt" means the outstanding balance of any indebtedness of the Borrower maturing by its terms more than one year after the date on which it is originally incurred.
- (ii) Debt shall be deemed to be incurred: (A) under a loan contract or agreement or other instrument providing for such debt or for the modification of its terms of payment, on the date, and to the extent, the amount of such debt has become outstanding pursuant to such contract, agreement or instrument; (B) under a guarantee agreement, on the date the agreement providing for such guarantee has been entered into but only to the extent that the guaranteed debt is outstanding.
- (iii) The term "equity" means the sum of the total unimpaired paid-up capital, retained earnings and reserves of the Borrower not allocated to cover specific liabilities, including the part of provisions for loan losses which may be allocated to general reserves according to the annual audit report.
- (iv) Whenever for the purposes of this Section it shall be necessary to value, in terms of the currency of the Guarantor, debt payable in another currency, such valuation shall be made on the basis of the prevailing lawful rate of exchange at which such other currency is, at the time of such valuation, obtainable for the purposes of servicing such debt, or, in the absence of such rate, on the basis of a rate of exchange acceptable to the Bank.

Section 4.07. (a) Except as the Bank shall otherwise agree, the Borrower shall not provide any financing for a Sub-project if, after the provision of such financing, the aggregate principal amount of all financing then outstanding provided by the Borrower for such Sub-project shall be greater than 20% of the equity of the Borrower.

(b) For purposes of this Section:

- (i) the term "financing" means a loan or guarantee for, or an equity investment in, a Sub-project to the extent such loan, guarantee or investment is not fully secured by guarantees provided by an institution acceptable to the Bank, on terms and conditions satisfactory to the Bank; and
- (ii) the term "equity" means the sum of the total unimpaired paid-up capital, retained earnings and reserves of the Borrower not allocated to cover specific liabilities, including the part of provisions for loan losses which may be allocated to general reserves according to the annual audit report.

Remedies of the Bank

Section 5.01. Pursuant to Section 6.02 (k) of the General Conditions, the following additional event is specified, namely, that the Statutes or the Statement of Policy or the Credit Policy Guidelines shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the operations or the financial condition of the Borrower or its ability to carry out the Project or to perform any of its obligations under this Agreement.

Section 5.02. Pursuant to Section 7.01 (h) of the General Conditions, the following additional event is specified, namely, the event specified in Section 5.01 shall occur.

ARTICLE VI

Miscellaneous

Section 6.01. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

Section 6.02. The President Director-General of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 6.03. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Bank:

International Bank for
Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address:

INTBAFRAD
Washington, D.C.

Telex:

440098 (ITT),
248423 (RCA) or
64145 (WUI)

For the Borrower:

Credit Immobilier et H^otelier
187, Avenue Hassan II
Casablanca
Kingdom of Morocco

Cable address:

CIH
Casablanca

Telex:

23869 M

IN WITNESS WHEREOF the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in the District of Columbia, United States of America, as of the day and year first above written.

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ K. Dervis
Acting Regional Vice President
Europe, Middle East and North Africa

REAL ESTATE AND HOTEL FINANCE COMPANY

By /s/ A. Bejelloun
 Authorized Representative

SCHEDULE 1

Withdrawal of the Proceeds of the Loan

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Loan, the allocation of the amounts of the Loan to each Category and the percentage of expenditures for items so to be financed in each Category:

Category	Amount of the Loan Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be Financed
(1) Sub-loans:		
(a) for Sub-projects under Part A (1) of the Project	5,000,000	50% of amounts paid by the Borrower
(b) for Sub-projects under Parts A (3), B (2) and B (4) of the Project	33,000,000	40% of amounts paid by the Borrower
(c) for Sub-projects under Parts A (2), B (1) and B (3) of the Project	34,000,000	65% of amounts paid by the Borrower
Category	Amount of the Loan Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be Financed
(2) Consultants' services and related equipment for Part C of the Project	500,000	100%
(3) Unallocated	5,000,000	
TOTAL	<u>77,500,000</u>	

2. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of: (a) Sub-loan unless the Sub-loan has been made in accordance with the criteria and procedures and on the terms and conditions set forth or referred to in Schedule 5 to this Agreement; and (b) payments made for expenditures prior to the date of this Agreement, except that

withdrawals, in an aggregate amount not exceeding the equivalent of \$7,750,000 may be made on account of payments made for expenditures before that date but after October 1, 1988.

SCHEDULE 2

Description of the Project

The objectives of the Project are to assist the Guarantor in implementing its strategy to promote the development of suitable low-and moderate-income housing through the development and provision of credit facilities required for such development and the strengthening of institutional capabilities to facilitate such development.

The Project consists of the following Parts, subject to such modifications thereof as the Bank and the Borrower may agree upon from time to time to achieve such objectives:

Part A:

The financing, through the provision of Sub-loans by the Borrower to developers, of the following Sub-projects which satisfy the requirements set forth or referred to in Schedule 5 to this Agreement:

(1) development of urban settlement sites for Low and Moderate-cost Dwellings, consisting of the preparation of residential and commercial plots and the construction of roads, footpaths and water, sewerage, electricity and street lighting facilities and the connection of said facilities to appropriate off-site infrastructure;

(2) construction of Low-cost Dwellings, commercial facilities and facilities to be used for social services; and

(3) construction of Moderate-cost Dwellings, commercial facilities and facilities to be used for social services.

Part B:

The financing, through the provision of loans, including Sub-loans, by the Borrower to households, of the following Sub-projects which satisfy the requirements set forth or referred to in Schedule 5 to this Agreement:

(1) construction of Low-cost Dwellings, including the purchase of plots on which such dwellings are to be constructed and other costs required for the construction of such dwellings;

(2) construction of Moderate-cost Dwellings, including the purchase of plots on which such dwellings are to be constructed and other costs required for the construction of such dwellings;

(3) purchase of new Low-cost Dwellings; and

(4) purchase of new Moderate-cost Dwellings.

Part C:

(1) Carrying out of a study of the system of construction, marketing and financing of housing to develop appropriate lending strategies and instruments to improve the supply of housing throughout the Guarantor's territory;

(2) Carrying out of a study to develop and promote suitable lending instruments and products designed to facilitate access to housing and improvement of existing dwellings; and

(3) Carrying out of a study to improve the management information system and to adapt the internal audit to the new depository and lending activities and the acquisition of computer equipment to

achieve the above-mentioned objectives.

* * *

The Project is expected to be completed by December 31, 1992.

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (expressed in dollars)*
January 15, 1995	1,425,000
July 15, 1995	1,475,000
January 15, 1996	1,535,000
July 15, 1996	1,590,000
January 15, 1997	1,655,000
July 15, 1997	1,715,000
January 15, 1998	1,780,000
July 15, 1998	1,850,000
January 15, 1999	1,920,000
July 15, 1999	1,995,000
January 15, 2000	2,070,000
July 15, 2000	2,150,000
January 15, 2001	2,230,000
July 15, 2001	2,320,000
January 15, 2002	2,405,000
July 15, 2002	2,500,000
January 15, 2003	2,595,000
July 15, 2003	2,695,000
January 15, 2004	2,795,000
July 15, 2004	2,905,000
January 15, 2005	3,015,000
July 15, 2005	3,130,000
January 15, 2006	3,250,000
July 15, 2006	3,375,000
January 15, 2007	3,500,000
July 15, 2007	3,635,000
January 15, 2008	3,775,000
July 15, 2008	3,920,000
January 15, 2009	4,070,000
July 15, 2009	4,225,000

* The figures in this column represent dollar equivalent determined as of the respective dates of withdrawal. See General Conditions, Sections 3.04 and 4.03.

Premiums on Prepayment

Pursuant to Section 3.04 (b) of the General Conditions, the premium payable on the principal amount of any maturity of the Loan to be prepaid shall be the percentage specified for the applicable time of prepayment below:

Time of Prepayment	Premium
	The interest rate (expressed as a percentage per annum) applicable to the Loan on the day of prepayment, multiplied by:
Not more than three years before maturity	0.15
More than three years but not more than six years before maturity	0.30

More than six years but not more than eleven years before maturity	0.55
More than eleven years but not more than sixteen years before maturity	0.80
More than sixteen years but not more than eighteen years before maturity	0.90
More than eighteen years before maturity	1.00

SCHEDULE 4

Modifications of the General Conditions

For the purposes of this Agreement, the provisions of the General Conditions are modified as follows:

(1) The last sentence of Section 3.02 is deleted.

(2) The words "the Bank may, by notice to the Borrower and the Guarantor, terminate the right of the Borrower to make withdrawals with respect to such amount. Upon the giving of such notice, such amount of the Loan shall be cancelled" set forth at the end of Section 6.03 are deleted and the following is substituted therefor:

"or (f) by the date specified in sub-paragraph 4 (c) of Schedule 5 to the Loan Agreement, the Bank shall, in respect of any portion of the Loan; (i) have received no applications or requests under sub-paragraphs 4 (a) or 4 (b) of said Schedule; or (ii) have denied any such applications or requests. The Bank may, by notice to the Borrower and the Guarantor, terminate the right of the Borrower to submit such applications or requests or to make withdrawals from the Loan Account, as the case may be, with respect to such amount or portion of the Loan. Upon the giving of such notice, such amount or portion of the Loan shall be cancelled."

SCHEDULE 5

Sub-loans: Criteria, Procedures and Principal Terms and Conditions

Except as the Bank and the Borrower shall otherwise agree, the criteria, procedures and terms and conditions set forth or referred to in this Schedule shall apply for the purposes of Section 3.02 (a) of this Agreement.

1. Each Sub-loan under Part A of the Project shall be made only:

(a) to a Beneficiary which shall have established its creditworthiness to the satisfaction of the Borrower in accordance with the Statement of Policy and the Credit Policy Guidelines;

(b) for a Sub-project: (i) which is to be carried out on a site which is amenable to development and suitably located; (ii) which is designed in a manner that the estimated value of each dwelling to be constructed thereunder does not exceed DH 300,000; (iii) in respect of which all required approvals of the concerned authorities have been secured; (iv) which is determined to be technically and commercially feasible, including on the basis, inter alia, of an assessment of the existence of a market for its output; and (v) which is determined to be financially and economically feasible, and if the Sub-project is estimated to cost the equivalent of DH 20,000,000 or more, is calculated to have a

financial rate of return equal at least to the interest rate charged by the Borrower to the Sub-loans for such Sub-project under Part A of the Project; all as shall be established to the satisfaction of the Borrower on the basis of an appraisal carried out by the Borrower in accordance with the Credit Policy Guidelines; and

(c) in the case of a Sub-project under Part A(1) of the Project for the development of sites for single dwellings, such that (1) the surface area that can be built upon, of the single-dwelling plots to be prepared thereunder shall not exceed an average of 120 square meters, (2) at least 60% of the land to be developed thereunder is marketable and (3) at least 80% of the marketable land to be developed thereunder is for residential purposes.

2. Each Sub-loan under Part B of the Project shall be made only:

(a) to a Beneficiary: (i) which is determined to be credit-worthy; (ii) which owns no dwelling other than the dwelling to be constructed or purchased under the Sub-project; and (iii) whose monthly income is determined to be not more than DH 3,000 in the case of Low-cost dwellings; all as shall be established to the satisfaction of the Borrower on the basis of the Credit Policy Guidelines; and

(b) for a Sub-project: (i) which is for the construction or purchase of a dwelling whose value is estimated not to exceed DH 300,000; (ii) in respect of which all required approvals of the concerned authorities have been secured; and (iii) which is determined to be technically and financially feasible; all as shall be established to the satisfaction of the Borrower on the basis of an appraisal carried out by the Borrower in accordance with the Credit Policy Guidelines satisfactory to the Bank.

3. No expenditures for goods or services required for a Sub-project shall be eligible for financing out of the proceeds of the Loan unless:

(a) the Sub-loan for such Sub-project shall have been approved by the Bank and such expenditures shall have been made not earlier than ninety days prior to the date on which the Bank shall have received the application and information required under paragraph 4 (a) of this Schedule in respect of such Sub-loan; or

(b) the Sub-loan for such Sub-project shall have been a free-limit Sub-loan for which the Bank has authorized withdrawals from the Loan Account and such expenditures shall have been made not earlier than ninety days prior to the date on which the Bank shall have received the request and information required under paragraph 4 (b) of this Schedule in respect of such free-limit Sub-loan. For the purposes of this Agreement, a free-limit Sub-loan shall be a Sub-loan for a Sub-project in an amount to be financed out of the proceeds of the Loan which shall not exceed the sum of \$1,000,000 equivalent, when added to any other outstanding amounts financed or proposed to be financed out of the proceeds of the Loan or of any other loan, provided for in any outstanding loan agreement between the Bank and the Borrower entered into before the date of this Agreement, the proceeds of which have been or are being used for financing goods and services directly and materially related to such Sub-project.

4. (a) When presenting a Sub-loan (other than a free-limit Sub-loan) to the Bank for approval, the Borrower shall furnish to the Bank an application, in form satisfactory to the Bank, together with: (i) a description of the Beneficiary and the appraisal of the Sub-project carried out pursuant to paragraph 1 of this Schedule, including a description of the expenditures proposed to be financed out of the proceeds of the Loan; (ii) the proposed terms and conditions of the Sub-loan, including the schedule of amortization of the Sub-loan, whenever appropriate; and (iii) such other information as the Bank shall reasonably request.

(b) Each request by the Borrower for authorization to make withdrawals from the Loan Account in respect of a free-limit Sub-loan shall contain (i) a summary description of the Beneficiary and the Sub-project, including a description of the expenditures proposed to be financed out of the proceeds of the Loan, and (ii) the terms and conditions of the Sub-loan, including the schedule of amortization therefor whenever appropriate.

(c) Applications and requests made pursuant to the provisions of sub-paragraphs (a) and (b) of this paragraph shall be presented to the Bank on or before December 31, 1992.

5. Sub-loans shall be made on the terms and conditions set forth in the Statement of Policy and Credit Policy Guidelines and on the following principal terms and conditions:

(a) The Borrower shall obtain, by written contract with the Beneficiary or by other appropriate legal means, rights adequate to protect the interests of the Bank and the Borrower, including, where applicable: (i) that each Beneficiary shall undertake to: (A) carry out and operate the Sub-project with due diligence and efficiency and in accordance with sound technical, financial, architectural, engineering, and urban planning standards, to provide promptly, as needed, the funds, facilities and other resources required for the purpose, and to maintain adequate records; (B) purchase the goods and services to be financed out of the proceeds of the Loan at a reasonable price, account being taken also of other relevant factors such as time of delivery and efficiency and reliability of the goods and, in the case of services, of their quality and the competence of the parties rendering them; (C) use such goods and services exclusively in the carrying out of the Sub-project; (D) enable the Bank and the Borrower to inspect the sites, works, and construction included in the Sub-project, the operation thereof, and any relevant records and documents; (E) take out and maintain with responsible insurers such insurance, against such risks and in such amounts, as shall be consistent with sound business practice; and (F) prepare and promptly furnish to the Borrower for forwarding to the Bank if so requested by the Bank, all such information as the Bank or the Borrower shall reasonably request relating to the foregoing and to the administration, operations and financial condition of the Beneficiary and to the benefits to be derived from the Sub-project; and (ii) provisions to ensure the right of the Borrower to suspend or terminate the right of the Beneficiary to the use of the proceeds of the Loan upon failure by such Beneficiary to perform its obligations under its contract with the Borrower providing for the Sub-loan.

(b) Further to the foregoing, each Sub-loan for a Sub-project under Part B of the Project shall be made on additional terms whereby the Borrower shall obtain, by written contract with the beneficiary or by other appropriate legal means, undertakings that the Beneficiary shall utilize the dwelling to be constructed or purchased under the Sub-project as its principal residence.

