

CONFORMED COPY

LOAN NUMBER 3620 MOR

Loan Agreement

(Land Development Project for Low-Income Families - SGMB)

between

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

and

SOCIETE GENERALE MAROCAINE DE BANQUES

Dated June 14, 1993

LOAN NUMBER 3620 MOR

LOAN AGREEMENT

AGREEMENT, dated June 14, 1993, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) and SOCIETE GENERALE MAROCAINE DE BANQUES (the Borrower).

WHEREAS (A) 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; and

(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

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) "Charter" means the Borrower's charter (Statuts) applicable as of June 20, 1991, pursuant to which the Borrower has been established and is operating as a financial institution, as the same may be amended from time to time;

(b) "Credit Policy Guidelines" means the guidelines regulating the provision of credit by financial institutions in the Guarantor's territory, referred to in (i) the Note dated May 31, 1991, prepared by the Professional Association of Moroccan Banks of which the Borrower is a member, (ii) the Orders (Arrctes) dated January 13, 1992, October 22, 1992 and December 22, 1992, issued by the Guarantor's Minister of Finance relating, respectively, to the setting of interest rates, the maximum risk allocation ratio and the minimum solvency ratio, (iii) related Regulatory Decisions No. 95 and No. 96, both dated December 25, 1992, issued by the Guarantor's Central Bank and (iv) Note No. 408/91 dated June 14, 1991 issued by the Guarantor's Central Bank relating to loans in arrears;

(c) "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 an Investment Project;

(d) "Beneficiary" means a Private Enterprise engaged in the business of housing or land development, to which the Borrower proposes to make or has made a Sub-loan;

(e) "Private Enterprise" means any (i) individual entrepreneur, (ii) partnership of individual entrepreneurs or (iii) enterprise which is not a Public Enterprise;

(f) "Public Enterprise" means any enterprise of which 50% or more of the outstanding voting stock or other proprietary interest is owned or effectively controlled by the Guarantor or by any of its administrative sub-divisions or agencies or by any Public Enterprise;

(g) "Investment Project" means a specific development project under Part A of the Project to be carried out by a Beneficiary utilizing the proceeds of a Sub-loan;

(h) "Foreign Exchange Risk Coverage Scheme" means the scheme established pursuant to the letter dated May 10, 1993 from the Guarantor's Ministry of Finance of the Borrower, for the protection of the Borrower against the risk of foreign exchange losses in respect of the Loan; and

(i) "Dirham" and "DH" mean the currency of the Guarantor.

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, various currencies that shall have an aggregate value equivalent to the amount of twelve million dollars (\$12,000,000), 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 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 to meet the reasonable cost of goods and services required for the Investment Project in respect of which the withdrawal from the Loan Account is requested.

Section 2.03. The Closing Date shall be June 30, 2000 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 percent ($3/4$ 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 for each Interest Period equal to the Cost of Qualified Borrowings determined in respect of the preceding Semester, plus one-half of one percent ($1/2$ of 1%). On each of the dates specified in Section 2.06 of this Agreement, the Borrower shall pay interest accrued on the principal amount outstanding during the preceding Interest Period, calculated at the rate applicable during such Interest Period.

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

(c) For the purposes of this Section:

(i) "Interest Period" means a six-month period ending on the date immediately preceding each date specified in Section 2.06 of this Agreement, beginning with the Interest Period in which this Agreement is signed.

(ii) "Cost of Qualified Borrowings" means the cost, as reasonably determined by the Bank and expressed as a percentage per annum, of the outstanding borrowings of the Bank drawn down after June 30, 1982, excluding such borrowings or portions thereof as the Bank has allocated to fund: (A) the Bank's investments; and (B) loans which may be made by the Bank after July 1, 1989 bearing interest rates determined otherwise than as provided in paragraph (a) of this Section.

(iii) "Semester" means the first six months or the second six months of a calendar year.

(d) On such date as the Bank may specify by no less than six months' notice to the Borrower, paragraphs (a), (b) and (c) (iii) of this Section shall be amended to read as follows:

"(a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, at a rate for each Quarter equal to the Cost of Qualified Borrowings determined in respect of the preceding Quarter, plus one-half of one percent ($1/2$ of 1%). On each of the dates specified in Section 2.06 of this Agreement, the Borrower shall pay interest accrued on the principal amount outstanding during the preceding Interest Period, calculated at the rates applicable during such Interest Period."

"(b) As soon as practicable after the end of each Quarter, the Bank shall notify the Borrower and the Guarantor of the Cost of Qualified Borrowings determined in respect of such Quarter."

"(c) (iii) 'Quarter' means a three-month period commencing on January 1, April 1, July 1 or October 1 in a calendar year."

Section 2.06. Interest and other charges shall be payable semi-annually on February 15 and August 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, technical and administrative standards and practices, with qualified management and personnel, and in accordance with the Charter and the Credit Policy Guidelines, and shall provide promptly as needed, the funds, facilities, services and other resources required for the purpose.

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

(a) make Sub-loans to Beneficiaries in accordance with the criteria and procedures and on the terms and conditions set forth or referred to in Schedule 5 to this Agreement;

(b) exercise its rights in relation to each Investment 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

(c) supervise and monitor the carrying out by the Beneficiaries of their respective Investment Projects, in accordance with existing policies and procedures satisfactory to the Bank.

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 Investment 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) open and thereafter maintain on its books, in accordance with its normal financial procedures and on conditions satisfactory to the Bank, a separate account to which it shall credit each payment of interest or other charges on, or repayment of principal under, a Sub-loan upon receipt thereof. All amounts so credited to said separate account shall be utilized by the Borrower, to the extent they are not yet required to meet the Borrower's repayment obligations to the Bank under this Agreement, exclusively to finance the construction of dwellings or the development of sites for housing in accordance with guidelines acceptable to the Bank; and

(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.

Section 4.04. 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.

ARTICLE V

Remedies of the Bank

Section 5.01. Pursuant to Section 6.02 (1) of the General Conditions, the following additional events are specified:

(a) The Charter 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.

(b) The Borrower shall have failed to maintain its participation in the Foreign Exchange Risk Coverage Scheme in

accordance with the requirements thereof or the Guarantor shall have failed to maintain the Foreign Exchange Risk Coverage Scheme.

Section 5.02. Pursuant to Section 7.01 (h) of the General Conditions, the following additional events are specified, namely, any event specified in Section 5.01 (a) or Section 5.01 (b) of this Agreement shall occur.

ARTICLE VI

Termination

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.

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. The Chief Executive Officer of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 7.02. 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:

248423 (RCA),
82987 (FTCC),
64145 (WUI) or
197688 (TRT)

For the Borrower:

Societe Generale Marocaine de Banques
55, Blvd. Abdelmoumen
Casablanca
Morocco

Telex:

22006

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

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Harinder Kohli
Acting Regional Vice President
Middle East and North Africa

SOCIETE GENERALE MAROCAINE DE BANQUES

By /s/ M'Hamed Bargach
Authorized Representative

SCHEDULE 1

Withdrawal of the Proceeds of the Loan

1. The proceeds of the Loan may be withdrawn to finance 90% of the withdrawals made by each Beneficiary under its respective Sub-loan.

2. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of:

(a) a Sub-loan unless the Sub-loan has been made in accordance with the 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 \$1,200,000, may be made on account of payments made for expenditures before that date but after February 1, 1993.

SCHEDULE 2

Description of the Project

The objectives of the Project are to assist in the implementation of the Guarantor's strategy to promote the development of suitable residential lots and housing for low-income families.

The Project consists of the following Part, 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, of specific development projects for the:

(1) development of residential sites, consisting of the preparation of residential lots and of sites for associated public and recreational facilities, the construction of roads, footpaths, and water supply, sewerage, electricity, telecommunication and street lighting systems and facilities and the connection of said systems and facilities to basic infrastructure; and

(2) construction of dwellings.

* * *

The Project is expected to be completed by June 30, 1999.

SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (expressed in dollars)*
February 15, 1999	225,000
August 15, 1999	235,000
February 15, 2000	240,000
August 15, 2000	250,000
February 15, 2001	260,000
August 15, 2001	270,000
February 15, 2002	280,000
August 15, 2002	290,000
February 15, 2003	300,000

August 15, 2003	310,000
February 15, 2004	325,000
August 15, 2004	335,000
February 15, 2005	350,000
August 15, 2005	360,000
February 15, 2006	375,000
August 15, 2006	390,000
February 15, 2007	400,000
August 15, 2007	415,000
February 15, 2008	435,000
August 15, 2008	450,000
February 15, 2009	465,000
August 15, 2009	485,000
February 15, 2010	500,000
August 15, 2010	520,000
February 15, 2011	540,000
August 15, 2011	560,000
February 15, 2012	580,000
August 15, 2012	600,000
February 15, 2013	625,000
August 15, 2013	630,000

* The figures in this column represent dollar equivalents 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 11 years before maturity	0.55
More than 11 years but not more than 16 years before maturity	0.80
More than 16 years but not more than 18 years before maturity	0.90
More than 18 years before maturity	1.00

SCHEDULE 4

Modifications of the General Conditions
For 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) In Section 6.02, sub-paragraph (k) is re-lettered as sub-paragraph (l) and a new sub-paragraph (k) is added to read:

"(k) An extraordinary situation shall have arisen under which any further withdrawals under the Loan would be inconsistent with the provisions of Article III, Section 3 of the Bank's Articles of Agreement."

(3) 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 (e) by the date specified in sub-paragraph 3 (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 permitted under sub-paragraphs (a) or (b) of said paragraph; 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 Principal Terms and Conditions

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

1. Each Sub-loan shall be made only:

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

(b) for an Investment Project: (i) determined to be technically and commercially feasible and financially and economically viable; (ii) in respect of which all required approvals of the concerned governmental authorities have been secured; and (iii) designed in accordance with appropriate safety, health and environmental standards satisfactory to the Bank and in such a manner that (A) if the Sub-loan is for an Investment Project under Part A (1) of the Project, the serviced residential lots to be prepared thereunder shall not exceed 120 square meters per lot, and (B) if the Sub-loan is for an Investment Project under Part A (2) of the Project, the total estimated value (as defined in Articles 2 and 10 of the Order (Arrcte) No. 355-67 dated December 17, 1968, issued by the Guarantor's Minister of Finance, relating to construction and hotel loans) of each dwelling to be constructed thereunder shall not exceed DH 300,000; all as shall have been established to the satisfaction of the Borrower on the basis of an appraisal carried out in accordance with the Credit Policy Guidelines and additional guidelines satisfactory to the Bank.

2. No expenditures for goods or services required for an Investment Project shall be eligible for financing out of the proceeds of the Loan unless:

(a) the Sub-loan for such Investment Project shall have been approved by the Bank and such expenditures shall have been made not earlier than 180 days prior to the date on which the Bank shall have received the application and information required under paragraph 3 (a) of this Schedule in respect of such Sub-loan; or

(b) the Sub-loan for such Investment 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 180 days prior to the date on which the Bank shall have received the request and information required under paragraph 3 (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 an Investment 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 or the Guarantor 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 Investment Project, the foregoing amount being subject to change from time to time as determined by the Bank.

3. (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 an appraisal of the Investment Project, 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; 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 Investment 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.

(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 June 30, 1998.

4. Each Sub-loan shall be: (a) charged interest, on the principal amount thereof withdrawn and outstanding from time to time, at a rate determined by the Borrower in accordance with the Credit Policy Guidelines; and (b) made for a period determined pursuant to the Credit Policy Guidelines and not exceeding (i) in respect of a Sub-loan made for an Investment Project for the development of sites or the construction of dwellings intended for resale, 4 years, inclusive of a grace period of 4 years and (ii) in respect of any other Sub-loan, 20 years, inclusive of a grace period of 4 years.

5. Each Sub-loan shall be made on further terms whereby 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:

(a) that each Beneficiary shall undertake to: (i) carry out and operate the Investment Project with due diligence and efficiency and in accordance with sound technical, financial and managerial standards and appropriate safety, health and environmental standards satisfactory to the Bank, maintain adequate records and provide, promptly as needed, the funds, facilities and other resources required for the purpose; (ii) procure 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 availability of maintenance facilities and spare parts therefor, and, in the case of services, of their quality and the competence of the parties rendering them, and utilize such goods and services exclusively in the carrying out of the Investment Project; (iii) enable the Bank and the Borrower to inspect such goods and the sites, works, plants and construction included in the Investment Project, the operation thereof, and any relevant records and documents; (iv) take out and maintain with responsible insurers such

insurance, against such risks and in such amounts, as shall be consistent with sound business practice, including, without limitation, such insurance to cover hazards incident to the acquisition, transportation and delivery of goods financed out of the proceeds of the Loan to the place of use or installation, any indemnity thereunder to be made payable in a currency freely usable by the Beneficiary to replace or repair such goods; and (v) prepare and 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 Investment Project; and

(b) 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 providing for the Sub-loan.

