

CONFORMED COPY

LOAN NUMBER 7256 - BR

Loan Agreement

(First Programmatic Reform Loan for Environmental Sustainability)

between

FEDERATIVE REPUBLIC OF BRAZIL

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

Dated November 3, 2004

LOAN NUMBER 7256 - BR

LOAN AGREEMENT

AGREEMENT, dated November 3, 2004, between the FEDERATIVE REPUBLIC OF BRAZIL (the Borrower) and the INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS (A) the Bank has received a letter, dated July 7, 2004, from the Borrower: (i) describing its macroeconomic framework and a program of actions, objectives and policies to strengthen the Borrower's system of environmental sustainability management (the Program), which Program consists of actions that have already been taken as described in Schedule 2 to this Agreement (the First Phase of the Program), and actions and policies that the Borrower intends to take and adopt in the near future; (ii) declaring the Borrower's commitment to the objectives of the Program; and (iii) requesting assistance from the Bank in support of the Program during the execution thereof; and

(B) on the basis, *inter alia*, of the foregoing, the Bank has decided in support of the First Phase of the Program to provide such assistance to the Borrower by making the loan provided for in Article II of this Agreement (the Loan) as hereinafter provided;

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 for Fixed-Spread Loans" of the Bank dated September 1, 1999, with the modifications set forth below (the General Conditions) constitute an integral part of this Agreement:

(a) Section 2.01, paragraph 41, is modified to read:

“‘Project’ means the first phase of the program, referred to in the Preamble to the Loan Agreement, in support of which the Loan is made.”;

(b) Section 3.08 is modified to read:

“Each withdrawal of an amount of the Loan from the Loan Account shall be made in the Loan Currency of such amount. If the Loan Currency is not the currency of the deposit account specified in Section 2.02 (b) of the Loan Agreement, the Bank, at the request and acting as an agent of the Borrower, shall purchase with the Loan Currency withdrawn from the Loan Account the currency of such deposit account as shall be required to deposit the withdrawn amount into such deposit account.”;

- (c) Section 5.01 is modified to read:

“The Borrower shall be entitled to withdraw the proceeds of the Loan from the Loan Account in accordance with the provisions of the Loan Agreement and of these General Conditions.”;

- (d) the last sentence of Section 5.03 is deleted;

- (e) Section 9.07 (c) is modified to read:

“(c) Not later than six months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Bank, the Borrower shall prepare and furnish to the Bank a report, of such scope and in such detail as the Bank shall reasonably request, on the execution of the first phase of the program referred to in the Preamble to the Loan Agreement, the performance by the Borrower and the Bank of their respective obligations under the Loan Agreement and the accomplishment of the purposes of the Loan.”; and

- (f) Section 9.05 is deleted and Sections 9.06, 9.07 (as modified above), 9.08 and 9.09 are renumbered, respectively, Sections 9.05, 9.06, 9.07 and 9.08.

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) “ANA” means *Agência Nacional de Águas*, the Borrower’s management and regulatory agency for the water sector;

(b) “Central Bank” means *Banco Central do Brasil*, the Borrower's central bank;

(c) “Deposit Account” means the account referred to in Section 2.02 (b) of this Agreement;

(d) “IBAMA” means *Instituto Brasileiro do Meio Ambiente e dos Recursos Naturais Renováveis-IBAMA*, the Borrower’s Environment and Natural Renewable Resources Institute;

(e) “MF” means *Ministério da Fazenda*, the Borrower’s Ministry of Finance;

(f) “MMA” means *Ministério do Meio Ambiente*, the Borrower’s Ministry of the Environment; and

(g) “MP” means *Ministério do Planejamento, Orçamento e Gestão*, the Borrower’s Ministry of Planning, Budget and Management.

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 this Agreement, the amount of five hundred two million five hundred twenty thousand Dollars (\$502,520,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.09 of this Agreement.

Section 2.02. (a) Subject to the provisions of paragraphs (b) and (c) of this Section, the Borrower shall be entitled to withdraw the amount of five hundred million seven thousand four hundred Dollars (\$500,007,400) from the Loan Account in support of the First Phase of the Program.

(b) Prior to furnishing to the Bank the first request for withdrawal from the Loan Account, the Borrower shall open and thereafter maintain in the Central Bank a deposit account in Dollars on terms and conditions satisfactory to the Bank. All withdrawals of the amount referred to in paragraph (a) above shall be deposited by the Bank into the Deposit Account.

(c) The Borrower undertakes that the proceeds of the Loan shall not be used to finance expenditures excluded pursuant to the provisions of Schedule 1 to this Agreement. If the Bank shall have determined at any time that any proceeds of the Loan shall have been used to make a payment for an expenditure so excluded, the Borrower shall, promptly upon notice from the Bank: (i) deposit into the Deposit Account an amount equal to the amount of said payment, or (ii) if the Bank shall so request, refund such amount to the Bank. Amounts refunded to the Bank upon such request shall be credited to the Loan Account for cancellation.

Section 2.03. The Closing Date shall be December 31, 2004, or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.

Section 2.04. The Borrower shall pay to the Bank a front-end fee in an amount equal to one per cent (1%) of the amount of the Loan, subject to any waiver of a portion of such fee as may be determined by the Bank from time to time. On or promptly after the Effective Date, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amount of said fee.

Section 2.05. The Borrower shall pay to the Bank a commitment charge on the principal amount of the Loan not withdrawn from time to time, at a rate equal to: (a) eighty five one-hundredths of one per cent (0.85%) per annum from the date on which such charge commences to accrue in accordance with the provisions of Section 3.02 of the General Conditions to but not including the fourth anniversary of such date; and (b) seventy five one-hundredths of one per cent (0.75%) per annum thereafter.

Section 2.06. The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, in respect of each Interest Period, at the Variable Rate; provided that, upon a Conversion of all or any portion of the principal amount of the Loan, the Borrower shall, during the Conversion Period, pay interest on such amount in accordance with the relevant provisions of Article IV of the General Conditions.

Section 2.07. Interest and other charges shall be payable semiannually in arrears on May 15 and November 15 in each year.

Section 2.08. The Borrower shall repay the principal amount of the Loan in accordance with the provisions of Schedule 3 to this Agreement.

Section 2.09. (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management:

- (i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, withdrawn or unwithdrawn, to an Approved Currency;
- (ii) a change of the interest rate basis applicable to all or any portion of the principal amount of the Loan from a Variable Rate to a Fixed Rate, or vice versa; and
- (iii) the setting of limits on the Variable Rate applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding by the establishment of an Interest Rate Cap or Interest Rate Collar on said Variable Rate.

(b) Any conversion requested pursuant to paragraph (a) of this Section that is accepted by the Bank shall be considered a "Conversion", as defined in Section 2.01(7) of the General Conditions, and shall be effected in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.

ARTICLE III

Particular Covenants

Section 3.01. The Borrower shall exchange views with the Bank on any proposed action to be taken after the disbursement of the Loan which would have the effect of materially reversing the objectives of the First Phase of the Program, or any action specified in Schedule 2 to this Agreement.

Section 3.02. Upon the Bank's request, the Borrower shall:

(a) have the Deposit Account audited in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Bank;

(b) furnish to the Bank as soon as available, but in any case not later than four (4) months after the date of the Bank's request for such audit, a certified copy of the report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested; and

(c) furnish to the Bank such other information concerning the Deposit Account and the audit thereof as the Bank shall have reasonably requested.

ARTICLE IV

Remedies of the Bank

Section 4.01. Pursuant to Section 6.02 (p) of the General Conditions, the following additional events are specified:

(a) The Borrower's macroeconomic policy framework has become inconsistent with the objectives of the First Phase of the Program.

(b) An action has been taken or a policy has been adopted to reverse any action or policy under the Program, including any action listed in Schedule 2 to this Agreement, in a manner that would, in the opinion of the Bank, adversely affect the achievement of the objectives of the First Phase of the Program.

ARTICLE V

Effective Date; Termination

Section 5.01. The following is specified as an additional matter, within the meaning of Section 12.02 (c) of the General Conditions, to be included in the opinion or opinions to be furnished to the Bank, namely, that this Agreement has been validly registered with the Central Bank.

Section 5.02. The date January 3, 2005, is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VI

Representative of the Borrower; Addresses

Section 6.01. The Minister of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 6.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministério da Fazenda
Procuradoria Geral da Fazenda Nacional
Esplanada dos Ministérios, Bloco "P" - 8º andar
70048-900 Brasília, D.F.
Brazil

Facsimile: (011-55-61) 412-1740

With copy to:

Ministério do Planejamento, Orçamento e Gestão
Secretaria de Assuntos Internacionais
Esplanada dos Ministérios, Bloco "K" - 5º andar
70040-906 Brasília, D.F.
Brazil

Facsimile: (011-55-61) 225-4022

For the Bank:

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

Cable address:	Telex:	Facsimile:
INTBAFRAD	248423 (MCI) or	(202) 477-
Washington, D.C.	64145 (MCI)	

6391

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.

FEDERATIVE REPUBLIC OF BRAZIL

By /s/ Maurício Cardoso Oliva

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Antonio Rocha Magalhães

Authorized Representative

SCHEDULE 1

Excluded Expenditures

For purposes of Section 2.02 (c) of this Agreement, the proceeds of the Loan shall not be used to finance any of the following expenditures:

1. expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower;
2. expenditures for goods or services supplied under a contract which any national or international financing institution or agency other than the Bank or the Association shall have financed or agreed to finance, or which the Bank or the Association shall have financed or agreed to finance under another loan or a credit;
3. expenditures for goods included in the following groups or subgroups of the Standard International Trade Classification, Revision 3 (SITC, Rev.3), published by the United Nations in Statistical Papers, Series M, No. 34/Rev.3 (1986) (the SITC), or any successor groups or subgroups under future revisions to the SITC, as designated by the Bank by notice to the Borrower:

<u>Group</u>	<u>Subgroup</u>	<u>Description of Items</u>
112	-	Alcoholic beverages
121	-	Tobacco, unmanufactured, tobacco refuse
122 manufactured	-	Tobacco, (whether or not containing tobacco substitutes)
525	-	Radioactive and associated materials
667	-	Pearls, precious and semiprecious

<u>Group</u>	<u>Subgroup</u>	<u>Description of Items</u>
		stones, unworked or worked
718	718.7	Nuclear reactors, and parts thereof; fuel elements (cartridges), non-irradiated, for nuclear reactors
728	728.43	Tobacco processing machinery
897	897.3	Jewelry of gold, silver or platinum group metals (except watches and watch cases) and goldsmiths' or silversmiths' wares (including set gems)
971	-	Gold, non-monetary (excluding gold ores and concentrates)

4. expenditures for goods intended for a military or paramilitary purpose or for luxury consumption;

5. expenditures for environmentally hazardous goods (for purposes of this paragraph the term "environmentally hazardous goods" means goods, the manufacture, use or import of which is prohibited under the laws of the Borrower or international agreements to which the Borrower is a party);

6. expenditures: (a) in the territories of any country which is not a member of the Bank or for goods procured in, or services supplied from, such territories, or (b) on account of any payment to persons or entities, or any import of goods, if such payment or import is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations; and

7. expenditures under a contract in respect of which the Bank determines that corrupt or fraudulent practices were engaged in by representatives of the Borrower or of a beneficiary of the Loan during the procurement or execution of such contract, without the Borrower having taken timely and appropriate action satisfactory to the Bank to remedy the situation.

SCHEDULE 2

First Phase of the Program

1. (a) Procedures were set out, pursuant to MMA's *Portaria* No. 473, of December 9, 2003, for the establishment of committees comprising representatives of the federal, state and municipal levels of government (*Comissões Tripartites*) with the objective of improving integration, providing for clearer definition of attributions and the elimination of gaps and overlaps in the environmental management system, including the licensing process.

(b) Fourteen of the committees referred to in (a) above have been created, pursuant to MMA's *Portaria* No. 131, of June 3, 2004.

2. The following measures have been taken to strengthen the capacity of MMA and IBAMA to carry out their functions and responsibilities: (a) creation of the environment specialist career, pursuant to the Borrower's Law No. 10410, of January 11, 2002; (b) carrying out of a diagnosis of the new administrative structure of MMA (*Projeto de Revisão Institucional e Organizacional do MMA*); (c) hiring of new qualified fixed-term staff, pursuant to public selection processes carried out on August 28, 2003; (d) MMA submitted to MP, on June 3, 2004 (*Aviso* No. 091/GM/MMA), a proposal for a new institutional structure for MMA and IBAMA; and (e) MP has authorized, pursuant to MP's *Portaria* No. 144, of June 21, 2004, published in the Borrower's Official Gazette (*Diário Oficial da União*) dated June 22, 2004, the initiation of public selection processes to fill 100 positions in MMA and 610 positions in IBAMA.

3. The Borrower's Law No. 10650, of April 16, 2003, which provides for the public availability of data and information held by the entities which are parties to the Borrower's National Environment System (*Sistema Nacional do Meio Ambiente*), was enacted for the purpose of improving transparency of information on environmental matters, including the environmental licensing process.

4. (a) Bill of Law No. 3285/92, which provides for the utilization and protection of the vegetation of the Atlantic Forest (*Bioma Mata Atlântica*, as defined in such Bill of Law), was approved by the Borrower's House of Representatives (*Câmara de Deputados*) on December 3, 2003, and its consideration by the Borrower's Senate is being processed on a urgent basis.

(b) Working groups were created to prepare programs for the conservation of the Atlantic Forest and the *Cerrado* (savanna areas located in the States of São Paulo, Minas Gerais, Mato Grosso do Sul, Mato Grosso, Goiás, Tocantins and Bahia, and the Federal

District), pursuant to MMA's *Portarias* Nos. 221, of May 9, 2003, and 361, of September 12, 2003, respectively.

(c) The Borrower's Decree No. 5092, dated May 21, 2004, defined rules for identification by MMA of priority areas for conservation, sustainable use and biodiversity benefits, and MMA's *Portaria* No. 126, of May 27, 2004, has identified such priority areas.

5. (a) The coordination committee of the Borrower's national forest program was created pursuant to the Borrower's Decree No. 4864, of October 24, 2003.

(b) A draft bill of law, providing for the management of public forests for sustainable production, was submitted, through E.M. 033 dated July 15, 2004, by MMA to the Borrower's President's Office (*Casa Civil da Presidência da República*) for review and submission to the Borrower's Congress.

(c) The Cartagena Protocol on Bio-safety was approved by the Borrower's Congress pursuant to *Decreto Legislativo* No. 908/03, published in such Congress's Official Gazette on November 24, 2003, and became effective for the Borrower on February 22, 2004.

6. (a) The Borrower's National Commission of Chemical Substances (*Comissão Nacional de Substâncias Químicas* - CONASQ) created, on April 15, 2003, a national program for chemical safety.

(b) An agreement between MMA and the state environmental agencies on prevention of, and rapid response to, environmental emergencies caused by dangerous chemicals was signed on August 20, 2003, and the corresponding program (known as P2R2) was discussed by such parties on April 26, 2004.

(c) A national commission was created for the implementation of the P2R2 program referred to in (b) above, pursuant to the Borrower's Decree No. 5098, of June 3, 2004.

(d) The Conventions of Rotterdam, on procedures for previous informed consent for the international trade of certain dangerous chemical substances and agro-toxics, and Stockholm, on the ban of persistent organic pollutants, were approved by the Borrower's Congress pursuant to *Decreto Legislativos* Nos. 204/04 and 197/04, respectively, both published in such Congress's Official Gazette on May 10, 2004.

7. (a) The basic reference document and guidelines for the Borrower's water resources national plan were issued in November 2003 by MMA, the Borrower's Secretariat of Water Resources (*Secretaria de Recursos Hídricos*) and ANA.

(b) Management of water resources has been improved with the entry into force of the Borrower's Provisional Measure (*Medida Provisória*) No. 165, of February 11, 2004 (converted into the Borrower's Law No. 10881, of June 9, 2004), which established the conditions and means to enhance the management of water resources at the basin level, through management contracts to be entered into between ANA and local water basin agencies, and the transfer of financial resources to such agencies.

(c) The first voluntary contribution for the usage of bulk water has been implemented in the *Paraíba do Sul* river basin, as of March 2003, based on the authorization granted by Resolution No. 15, of November 4, 2002, of the Committee for Integration of the Paraíba do Sul River Basin.

8. (a) A plan, prepared by the working group established by the Borrower's Decree dated July 3, 2003, as modified by the Borrower's Decree dated March 15, 2004, to prevent and control deforestation in the Borrower's Amazon region, was issued in March 2004.

(b) An inter-ministerial working group was created, pursuant to the Borrower's Decree dated March 15, 2004, to prepare and coordinate the implementation of a plan for the sustainable development of the region covered by the federal highway BR-163 (*Cuiabá-Santarém*).

9. (a) An agreement to establish a sustainable development program for the Borrower's Amazon region was signed, on May 9, 2003, by the Borrower's president and the governors of the states in such region.

(b) A draft of the program referred to in (a) above has been finalized in May 2004.

10. (a) An inter-ministerial working group was created, pursuant to the Borrower's Decree dated September 4, 2003, to carry out studies and formulate proposals for the integration of environmental sanitation actions within the Borrower's federal government.

(b) The certification system of firms under the Borrower's program to clean river basins (known as PRODES) was created, pursuant to ANA's Operational Manual (*versão* 2002.1) for such program, and is being implemented in a satisfactory manner.

(c) A technical cooperation agreement (*Acordo de Cooperação Técnica*) was entered into, on December 2, 2003, between MMA and the Borrower's Ministries of the Cities and the Culture, providing for cooperation in integrated planning and management activities related to territorial and urban development, cultural assets and environmental protection, based on the principle of sustainable development and the so-called Brazilian Agenda 21.

11. (a) A consortium of public sector entities (*Consórcio ZEE Brasil*) has been established, pursuant to the Borrower's Decrees dated December 28, 2001 and February 12, 2004, to carry out ecological and economic zoning on behalf of the Borrower's federal government.

(b) Methodological guidelines for economic and ecological zoning, issued in 2001 and updated in 2003, were published in MMA's website.

12. (a) Article 170, subparagraph VI, of the Borrower's Constitution was amended by Constitutional Amendment No. 42, of December 19, 2003, to provide that the economic order shall, inter alia, observe the principle of environmental sustainability, through a differentiated treatment based on the environmental impact of goods and services, and their corresponding manufacturing and provision processes.

(b) MMA and MF's Secretariat of Federal Revenues have initiated, on June 15, 2004, discussions for the inclusion of environmental sustainability criteria in tax laws and regulations.

(c) A working group comprising representatives of MMA and MF has been established, pursuant to *Portaria Interministerial* No. 141, of June 17, 2004, of the Ministers of MF, MMA, Labor and Employment, and National Integration, to improve and streamline the so-called Green Protocol (*Protocolo Verde*) signed in 1995 by the main financial institutions controlled by the Borrower's federal government, as well as other similar instruments, for the purpose of including environmental considerations in their credit approval decision-making processes.

13. (a) A technical cooperation agreement (*Acordo de Cooperação Técnica*) was entered into, on March 30, 2004 between MMA and the Borrower's Ministry of Mines and Energy for the implementation of an integrated environmental agenda for the electric

power, petroleum, natural gas and renewable fuels sectors, and the geologic and mining activities.

(b) An upstreaming of the environmental analysis for energy sector projects was introduced by the Borrower's Law No. 10847, dated March 15, 2004, which authorized the creation of *Empresa de Pesquisa Energética* - EPE.

(c) A program to support alternative forms of electric power energy (known as PROINFA) was created, pursuant to the Borrower's Law No. 10438, of April 26, 2002, as amended by the Borrower's Law No. 10762, of November 11, 2003.

14. A national plan for agrarian reform, which includes environmental sustainability criteria, was officially launched in November 2003.

15. A technical cooperation agreement (*Acordo de Cooperação Técnica*) was entered into, on August 9, 2004, between MMA and the Borrower's Ministry of Tourism to create an environmental agenda for the tourism sector.

SCHEDULE 3

Amortization Schedule

1. The following table sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date (Installment Share). If the proceeds of the Loan shall have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined by the Bank by multiplying: (a) the total principal amount of the Loan withdrawn and outstanding as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date, such repayment amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

<u>Payment Date</u>	<u>Installment Share (Expressed as a %)</u>
On each May 15 and November 15	
Beginning November 15, 2009 through November 15, 2020	4.17%
On May 15, 2021	4.09%

2. If the proceeds of the Loan shall not have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined as follows:

(a) To the extent that any proceeds of the Loan shall have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the amount withdrawn and outstanding as of such date in accordance with paragraph 1 of this Schedule.

(b) Any withdrawal made after the first Principal Payment Date shall be repaid on each Principal Payment Date falling after the date of such withdrawal in amounts determined by the Bank by multiplying the amount of each such withdrawal by a fraction, the numerator of which shall be the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date (the Original Installment Share) and the denominator of which shall be the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such repayment amounts to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

3. (a) Withdrawals made within two calendar months prior to any Principal Payment Date shall, for the purposes solely of calculating the principal amounts payable on any Principal Payment Date, be treated as withdrawn and outstanding on the second Principal Payment Date following the date of withdrawal and shall be repayable on each Principal Payment Date commencing with the second Principal Payment Date following the date of withdrawal.

(b) Notwithstanding the provisions of sub-paragraph (a) of this paragraph 3, if at any time the Bank shall adopt a due date billing system under which invoices are issued on or after the respective Principal Payment Date, the provisions of such sub-paragraph shall no longer apply to any withdrawals made after the adoption of such billing system.

4. Notwithstanding the provisions of paragraphs 1 and 2 of this Schedule, upon a Currency Conversion of all or any portion of the withdrawn principal amount of the Loan to an Approved Currency, the amount so converted in said Approved Currency that shall be repayable on any Principal Payment Date occurring during the Conversion Period, shall be determined by the Bank by multiplying such amount in its currency of denomination immediately prior to said Conversion by either: (a) the exchange rate that reflects the amounts of principal in said Approved Currency payable by the Bank under the Currency Hedge Transaction relating to said Conversion; or (b) if the Bank so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.

5. If the principal amount of the Loan withdrawn and outstanding from time to time shall be denominated in more than one Loan Currency, the provisions of this Schedule shall apply separately to the amount denominated in each Loan Currency, so as to produce a separate amortization schedule for each such amount.