

HOUSING AND URBAN DEVELOPMENT FOUNDATION

December 7, 1999

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

Re: Loan No. 4481 LT  
(Municipal Development Project)  
Representations

Dear Sirs and Mesdames:

In connection with the Project Agreement of even date between the International Bank for Reconstruction and Development (the Bank) and the Housing and Urban Development Foundation (HUDF) for the above-captioned Project, HUDF hereby undertakes and warrants to the Bank that:

1. The financial statements dated \_\_\_\_\_, copies of which have been furnished to the Bank, correctly set forth the financial and operating condition of HUDF as of that date, and since that date there have been no material adverse changes in the financial and operating conditions of HUDF.
2. HUDF is not engaged in litigation as plaintiff or defendant, the outcome of which might materially and adversely affect its financial condition.
3. HUDF has no outstanding agreements or liabilities, contingent or otherwise (including taxes), that might materially and adversely affect its financial condition.
4. No debt of HUDF is secured by any mortgage, pledge, charge, priority, or other lien, and no contract or arrangement exists for the creation of any such mortgage, pledge, charge, priority, or other lien.
5. There are no existing defaults in the payment of principal of, or interest or other charges on, any of the debts of HUDF.
6. HUDF is not in violation of, and the execution and delivery of the Project Agreement and the compliance with all its terms thereof do not and will not result in any violation of, any provisions of any existing agreement, concession, license, or permit, or of any statute, law, decree, regulation, or any other legal rule of a similar nature presently in effect and applicable to HUDF.
7. HUDF is a duly existing "regia autonoma" under the laws of Lithuania, with full authority to carry out its present business, to carry out the Project, and to execute and deliver the Project Agreement, and has furnished to the Bank a true copy of the Decision No. 202 on the establishment of HUDF, adopted by the Minister of Finance of the Government of Lithuania on July 29, 1999, and of all other legislation presently in force and effect and governing or applicable to the operations of HUDF, as well as of its statutes and by-laws presently in effect and governing HUDF.

It is our understanding that, in making the Loan and entering into the Project Agreement, the Bank may rely on the representations contained herein.

Very truly yours,

HOUSING AND URBAN DEVELOPMENT FOUNDATION

By /s/ Aloyzas Vitkauskas  
Authorized Representative



