

Report for Beneficiaries

31.12.2010

Dear Beneficiaries,

the time has come to inform you again on the state of affairs. Unfortunately, the fundamental information is still the same. The distributions are still not effected. There are still three litigations. The first two were initiated by a group of the Cypriot companies, according to the latest available information controlled by the family of Viktor Kožený. There was no new development in these litigations. This is also the biggest complication preventing commencement or continuation of distributions.

A Receiver was appointed by the Cypriot court within the framework of these disputes in 2005, whose obligation was among other things to prepare regular reports. However, in essence he does not fulfil this obligation at all. Our effort thus will be to demand that the court should remove the appointed Receiver and annul the judgement, or restrict the frozen assets only to that part which is in proportion to shares owned by these companies so that the other Beneficiaries are not taken as hostages. Therefore it is important whether resources attributable to shares of the Cypriot companies will be obtained by them or by HPH; this depends first of all upon the management of Harvard Industrial Holding JSC – in liquidation (“HPH”) and its liquidator. The Trust only performs the agreement on trust establishment (Settlement) by not paying funds to the debtor or related persons. If HPH is inactive, so they obviously think that these companies should get their funds and that they do not belong to HPH or its shareholders.

In the litigation initiated by HPH after several postponements, interrogation and cross examination of the first witness of HPH Mr Milan Franta were performed. According to the order of the court the dispute is to continue on 17th and 18th of January 2011. HPH initiated freeze of funds in the past, too, however this order was cancelled upon our appeal.

If obstacles preventing distribution of Quotients are removed, preparation of final accounts for 6 years and subsequently determination of value of the Quotient, its publication and then the start of distributions will have to follow. We will do our best to make this period as short as possible. In our estimate, despite of damages incurred due to the tumble of shares at the beginning of the crisis, the value of a Quotient in Trust 1 should not differ much from the last published one.

In this context, I would like to disprove speculations about the end of the Trust after 10 years. This is not true. The agreement on establishment of the Trust (Settlement) provides that the Trust has been founded for 100 years (article 1.24 of the Settlement).

I cannot imagine that someone should decide on cancellation of the Trust although distributions cannot be effected since 2005. I can assure you that even if the time of 10 years following establishment of the so-called Trust 1 will elapse in more than one and a half year, no-one speculates about termination of the Trust after expiration of that time.

The cancellation of the Trust after 10 years is also prevented by the wording of the Settlement proper. Article 61 reads, in free translation, that the Trust may be cancelled after expiry of 10 years or at any time later if valid applications were not submitted, it is to be expected that no other will be submitted and the Trustee or a delegated person have made all steps towards the distribution.

The fundamental condition is not met, because at the end of 1010 the Trust's Administrator – the Trustee registers altogether 5,801 applications for distributions (of which 1,464 are correct ones) of over 870 thousand dollars. As this number increases each week, the second requirement specified in article 61 has not been met, too. Hence, the information that the Trust will be dissolved is proliferated by someone who only and solely wants to do harm and invoke panic.

Believe me: we take all steps towards renewal of distributions as soon as possible and towards protection of your claims. As for recovery of assets of the debtor and related persons, this is a task for the HPH management rather than for the Trustee.

I hope I will be able to hand you a message in foreseeable time that the distributions from the Trust will start soon.

I will certainly be present at the General Meeting of HPH held on 14 Jan 2001; thus I will be able to answer your further questions.

Tomáš Ševčík
Daventree Trustees Ltd.