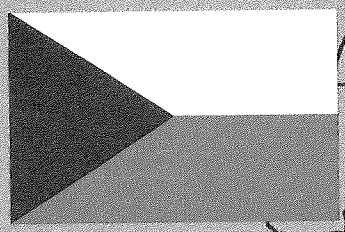
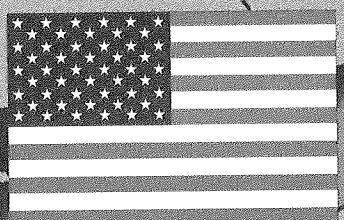
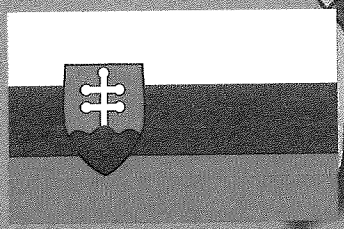
CZECH & SLOVAK AMERICAN Enterprise Fund







1995 Annual Report

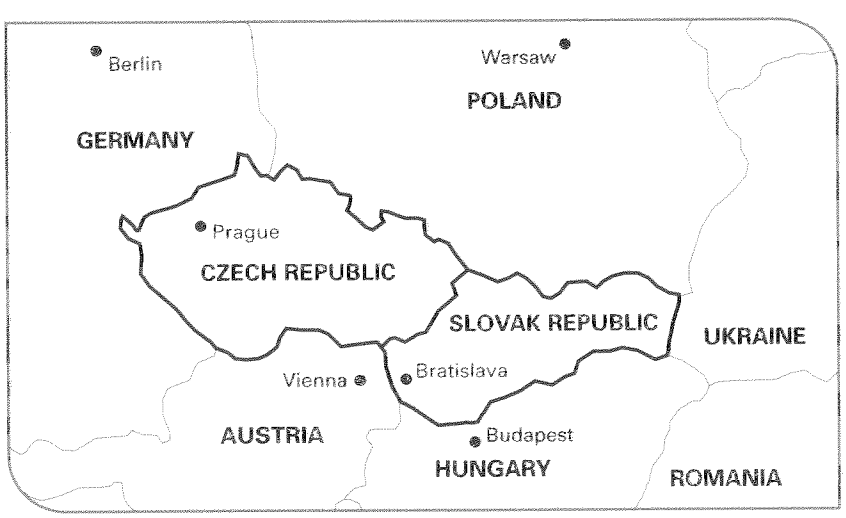
Purpose and Description

The Czech and Slovak American Enterprise Fund (the "Fund" or "CSAEF") was established by the U.S. government in March, 1991 as a private not-for-profit corporation to promote the development of small and medium-sized private enterprises in the Czech and Slovak Federal Republic ("CSFR") which have the likelihood of becoming commercially viable in a free-market environment. Formed pursuant to the Support for East European Democracy Act of 1989 (the "SEED Act"), the Fund is similar to other American Enterprise Funds presently operating throughout Central and Eastern Europe.

Following the dissolution of the CSFR on January 1, 1993, the Board of Directors of the CSAEF created two separate subsidiaries through which the Fund pursues its activities: the Czech American Enterprise Fund (CAEF) and the Slovak American Enterprise Fund (SAEF).

The CSAEF receives its funds through the U.S. Agency for International Development ("AID"). Sixty-five million dollars has been appropriated, including five million dollars for Technical Assistance. The Fund is overseen by a Board of Directors (the "Board") consisting of U.S. and Czech and Slovak individuals from the private sector. Offices are located in Prague, Bratislava, and Washington, D.C.

The Fund invests in Czech and Slovak enterprises in the form of loans and equity capital. Technical Assistance grants are also available. The Fund charges interest and fees and takes collateral on loans. Joint investment with U.S. direct investors is especially encouraged.



PD-ABP-081

Czech and Slovak American Enterprise Fund

Fifth Annual Report

For the Year October 1, 1994 to September 30, 1995

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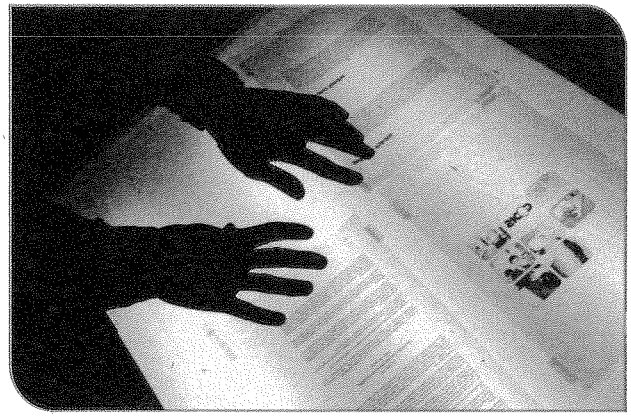
Formed in 1991, the CSAEF was the first direct investor to operate in what was then Czechoslovakia and it remains one of the most significant providers of private equity capital in the Slovak Republic. Acting as both a direct investor and as a catalyst for other investment, the CSAEF has introduced the practicalities of private investment in the free market economy more broadly and sooner than would have been accomplished otherwise. While much remains to be done, we are continually adapting to meet the changing realities of two nations in transition.

In four years, the CSAEF has invested in 51 companies directly and has made loans to over 35 companies through its joint bank lending programs. The CSAEF has made more direct investments in the two Republics than all of the foreign private equity funds combined. In Slovakia, the CSAEF is the second largest U.S. investor in terms of amount invested.

With each investment and loan has come significant knowledge transfer – through experts provided under the auspices of our Technical Assistance budget and through the hundreds of hours CSAEF staff members spend with company managers.

Other accomplishments include: business training for over 2,000 bank lenders and entrepreneurs; bringing U.S. and Western technology and know-how through 13 joint ventures (valued at 40% of authorized investments); creating or enhancing 3,000 jobs; and generating over $10 million worth of exports (mostly to Western Europe).

The CSAEF is leveraging its funds through co-investment. The European Bank for Reconstruction and Development (EBRD) has invested over $11 million in two projects established by the CSAEF. Financial investors whose first investments in the Republics have been made together with the CSAEF include Robert Flemings & Co., Renaissance Partners, and the Japan International Development Organization (JAIDO).



Calamarus

In addition to co-investment on selected transactions, the CSAEF also seeks to foster creation of other venture funds in the Republics. In FY95, the CSAEF made determined efforts to raise private monies for the Republics under a variety of investment structures. Unfortunately, the time was not ripe. However, should the prospects for such private capital become more favorable, the Fund will reinvigorate these efforts.

The most important task for the CSAEF is to invest in companies that, as indicated in the SEED Act, have "the likelihood of commercial viability." Fiscal 1995 was an important year for the Fund in this respect, since many of our investments are at a stage where the key determinants of success and failure are becoming more evident. As a result, the Board of

Directors approved a doubling of reserves to reflect the ongoing financial risk of the portfolio. Several investees are at a critical stage where a combination of good management and improved operations could lead to profitability – and, of course, the absence of either could hurt their viability. A limited number of the major investments of the Fund are profitable. The outlook for others is mixed. The body of this Annual Report details the results to date of individual portfolio companies.

Reflecting on the investment record of the Fund's initial years, we are disappointed that so many of the start-up and fledgling businesses which we have helped fund have done so poorly. It is not surprising that some have failed, given the historically untested nature of the projections and the transitional nature of the economies in which they have been functioning.

As emphasized in each Annual Report, the CSAEF has recognized the high-risk nature of investing in Central Europe. The legislative history of the Enterprise Funds shows that the U.S. government intended the Funds to take such risks early in their countries' transformation from communism in order to help effect that transition. The CSAEF has used the guiding principle of "being one step ahead of the market, but not three."

Prior to voucher privatization, there were few, if any, publicly traded investments available in the Czech and Slovak Republics. It was unclear at that time whether or not the CSAEF could play a useful role to broaden the traded market by such investing. Further, the CSAEF did not consider it important to its mission to invest in already successful large companies, since such investments would not have added enough incrementally to the success of those ventures.

As a result, the CSAEF's earliest investments were primarily in start-up companies, traditionally the riskiest of investments and those which take the longest to mature and to exit. With virtually the entire economy still in State hands in 1991, and a coupon-privatization policy that did not favor foreign private equity investors, the CSAEF was faced with a choice: take the risk of start-ups or sit on the sidelines. As Congress intended, we chose to act.

The CSAEF's biggest risk is in selecting which local managers to back. This is a major risk in any form of investing, but it is particularly acute in the Republics since few local managers have experience overseeing a commercial business in a market-driven environment. Many of our entrepreneurs are rising to the challenges and will build successful businesses. Some are not. This experience base has also historically made it difficult for the CSAEF and others to attract qualified local investment professionals.

Nevertheless, as the private sectors in the Republics mature, more experienced Czechs and Slovaks are better prepared and eager to tackle investment responsibilities. We see this improvement in the businesses where we have recently considered making an investment, as well as in candidates for positions with the CSAEF. During the past year we have hired and trained many new Czech and Slovak professionals so that now fully two-thirds of our in-country investment staff is comprised of local talent.

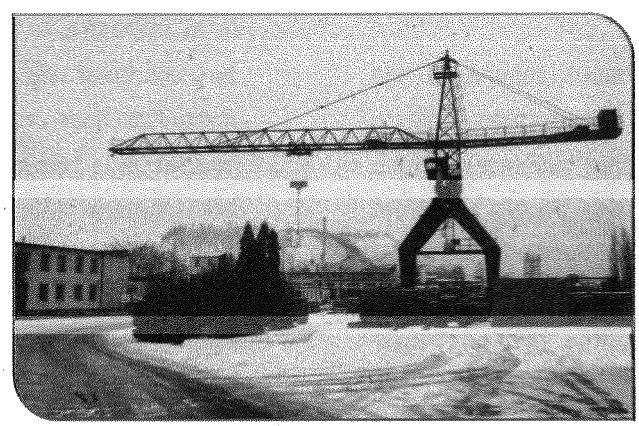
We are also addressing the management experience challenge by providing training and hands-on assistance for the entrepreneurs. CSAEF Investment Officers and staff members are active in company management and on supervisory boards. In addition, more than half of our investees have had the benefit of Technical Assistance projects. Most of this assistance has been in the form of training in the areas of marketing and financial control: not only suggesting to a manager what to do, but also helping to get it done – whether that requires installing better accounting systems, developing a true marketing strategy, or even making marketing calls.

In some instances, however, advising a new owner or manager is not sufficient. During 1995, the CSAEF began replacing managers, or owner/managers, in several investments in order to give those companies a better chance for success.

For 1996, this effort will continue; i.e., the CSAEF will work closely with those companies having the best chance for success to help them maximize their sales and profits. Those investees requiring management changes or restructuring will be so treated.

We are working to improve practices not only at our investee companies, but internally as well. Staff training programs were undertaken during 1995, and more are planned for 1996. Several outside professionals were commissioned to help the CSAEF bring its operating practices up to the highest professional standards in the current operating environments in the Republics.

As we look ahead, the role of the CSAEF will continue to diverge in the two countries. The Czech Republic is widely considered to have one of the most successful economies in Central and Eastern Europe. USAID has announced it will be pulling out by the end of next year and has encouraged the CSAEF to focus new investment activity in Slovakia. The CSAEF's focus in the Czech Republic will be on supporting and improving the business performance of its existing investments, on making the small loan program more effective, and on leaving a private sector legacy.



B&BC

Slovakia has further to go in its transition, in part because it has slowed the privatization process and has not yet made all of the reforms necessary to nurture a healthy private sector. Nevertheless, Slovakia is a country with extensive human and strategic assets, many of the macroeconomic indicators are positive, and there is much hope for the future. The CSAEF has a critical role to play in fostering small and medium-sized enterprises. Such businesses have historically found it difficult to attract needed capital, and the CSAEF can provide not only the investment funds, but also training and monitoring that will help businesses succeed. A strong emphasis will remain on managing

the existing portfolio while searching for solid investments that further the mission of the Fund. These investments are likely to be larger and more equity oriented than the CSAEF's earlier investments because there are more medium-sized companies looking for equity than in the past, and because smaller companies have been able to obtain loans through the CSAEF's joint lending programs since late in 1992.

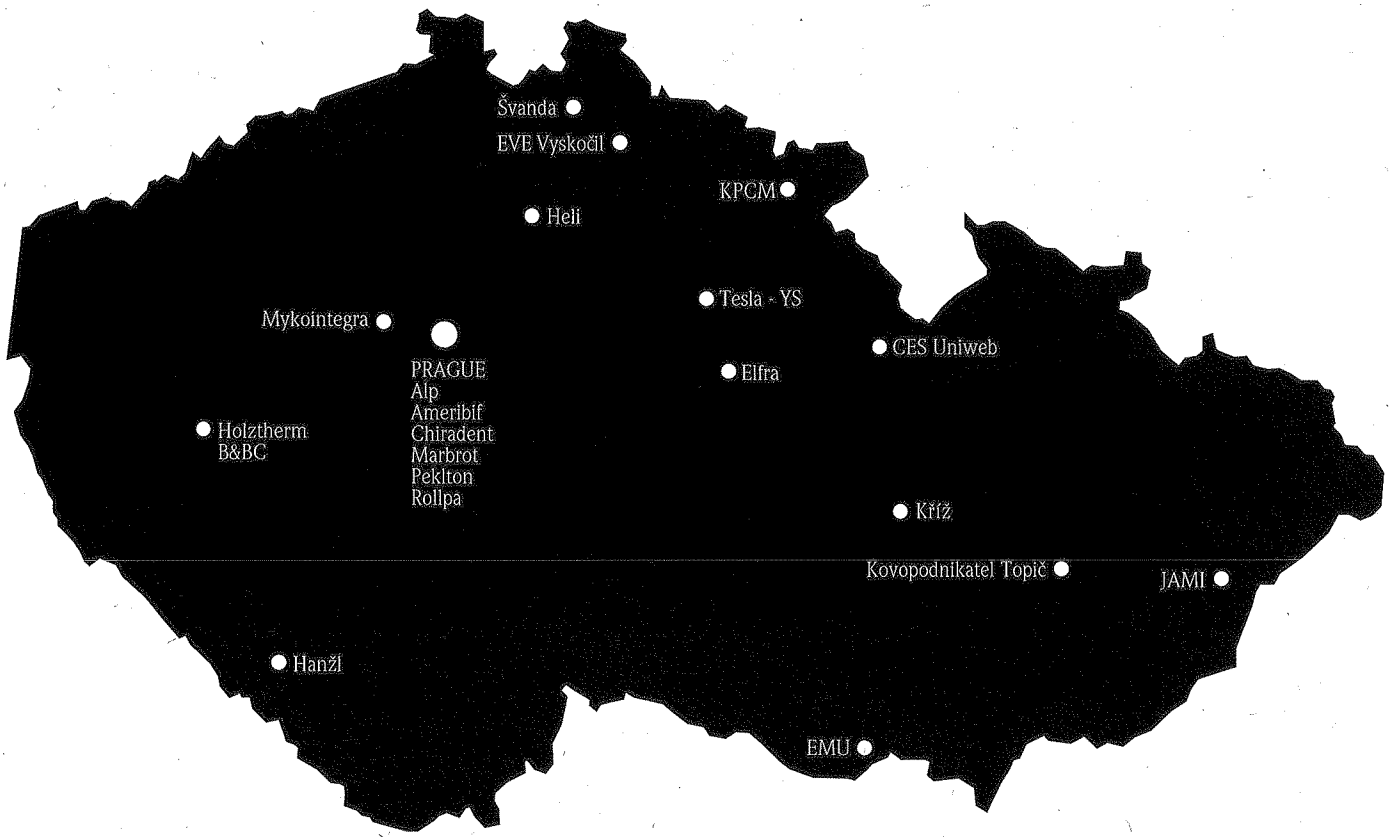
In June, Paul Gibian refocused his attention toward key investments in our portfolio. As Senior Advisor to the Board, he is now devoting all of his energy toward nurturing these investments. His extra effort is already bearing fruit, and I am grateful for his continued hard work. The Board of Directors has initiated a search for a new Chief Executive Officer which it expects to complete in early 1996.

In February, Charles A. Vanik resigned from the Board of Directors. Mr. Vanik was one of the original members of the Board and played an important role in the Fund's development. The Fund thanks him for his service. That same month, Jerome Jacobson became a Director of the CSAEF.

In August, I assumed the Chairmanship of the CSAEF from John R. Petty as the preliminary step to John's phasing down his involvement with the Fund. At the Fund's request in August, John served as interim President and Chief Executive Officer, thereby assisting in my initial transition to the Chairmanship. The transition complete, he resigned from the Board in November. As the first Chairman of the CSAEF, John demonstrated remarkable dedication to its purposes during a unique and critical period for Czechoslovakia and its successor Republics. During his almost-five-year tenure, John donated a substantial portion of his time to the Fund. His leadership has endowed the CSAEF with significant strengths upon which to build as it goes forward, and for these generous efforts, the Fund expresses its deep appreciation.

Lawrence C. McQuade
Chairman

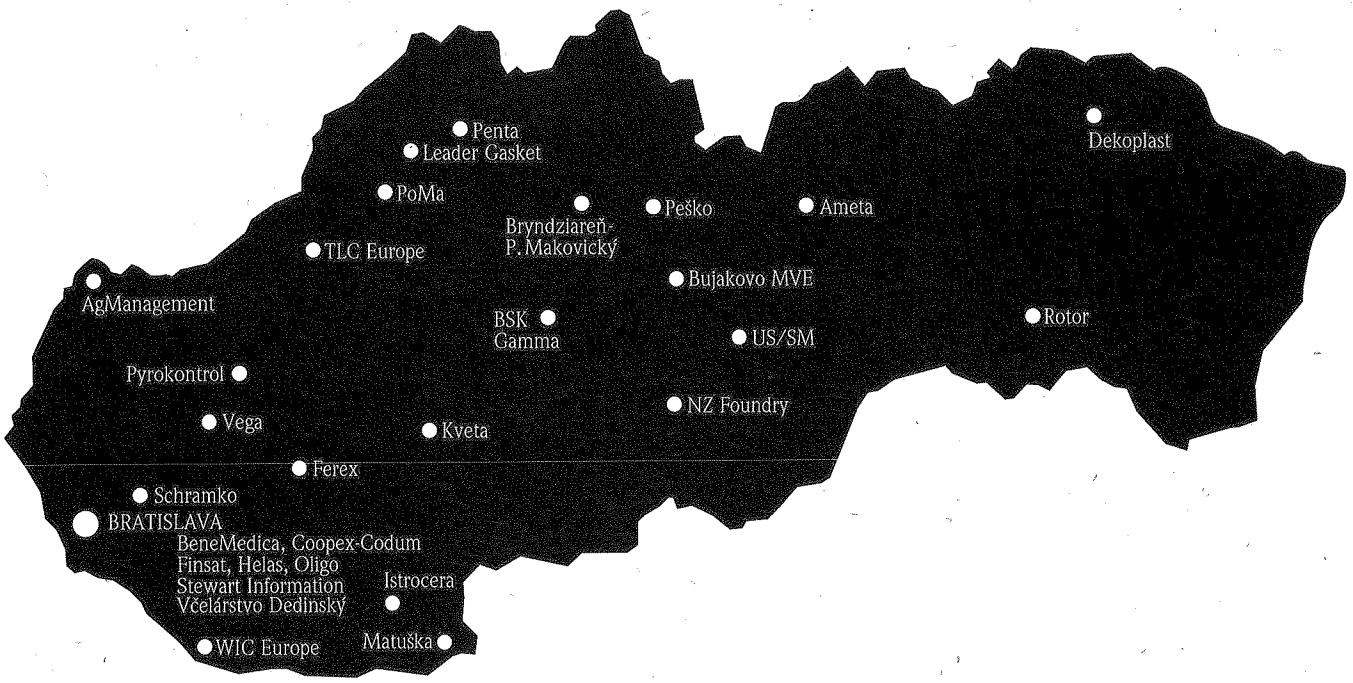
Czech Republic



Company	City
Alp	*Prague*
Ameribif	*Prague*
B&BC	*Plzeň*
CES Uniweb	*Letohrad*
Chiradent	*Prague*
Elfra	*Chrudim*
EMU	*Brno*
EVE Vyskočil	*Jesenný*
Hanžl	*Vimperk*
Heli	*Mladá Boleslav*

Company	City
Holztherm	*Plzeň*
JAMI	*Vsetín*
Kovopodnikatel Topič	*Kojetín*
KPCM	*Batřovice*
Kříž	*Letovice*
Marbrot	*Prague - Nebušice*
Mykointegra	*Jeneč*
Peklton	*Štiřín*
Rollpa	*Prague*
Švanda	*Liberec*
Tesla - YS	*Hradec Králové*

Slovak Republic

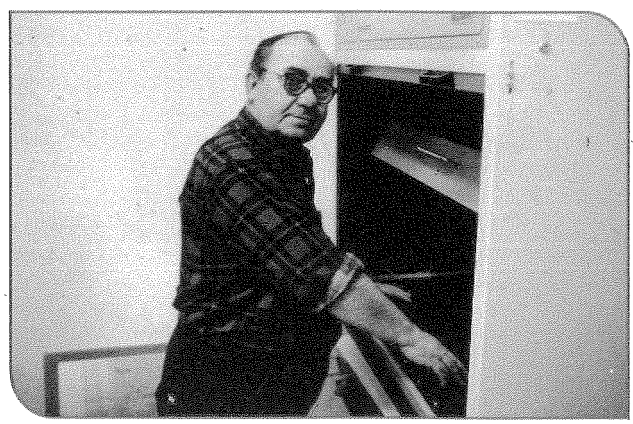


Company	*City*
AgManagement	*Skalica*
Ameta	*Poprad*
BeneMedica	*Bratislava*
Bryndziareň - P. Makovický	*Ružomberok*
BSK	*Banská Bystrica*
Bujakovo MVE	*Brezno*
Coopex-Codum	*Bratislava*
Dekoplast	*Svidník*
Ferex	*Nitra*
Finsat	*Bratislava*
Gamma	*Banská Bystrica*
Helas	*Bratislava*
Istrocera	*Svätý Peter*
Kveta	*Nová Baňa*
Leader Gasket	*Bytča*

Company	*City*
Matuška	*Štúrovo*
NZ Foundry	*Cínobaňa*
Oligo	*Bratislava*
Penta	*Kysucké Nové Mesto*
Peško	*Liptovský Mikuláš*
PoMa	*Považská Bystrica*
Pyrokontrol	*Pobedím*
Rotor	*Košice*
Schramko	*Senec*
Stewart Information	*Bratislava*
TLC Europe	*Nové Mesto nad Váhom*
US/SM	*Tisovec*
Včelárstvo Dedinský	*Bratislava*
Vega	*Malženice*
WIC Europe	*Dunajská Streda*

The CSAEF's objectives for FY96:

- Continue the primary mission of the Fund: to foster development of the private sector in the Republics through investing, training, and nurturing the entrepreneurs.
- Appoint a new Chief Executive Officer.
- Commit the remaining resources during FY96 and FY97.
- In Slovakia, continue to provide debt and equity capital to promising small and medium-sized businesses, including efforts to involve other investors.
- In the Czech Republic, respond to the need for longer term, less collateral intensive business loans by cooperating with Czech financial institutions in joint small-business lending programs.
- Also in the Czech Republic, transform operations in order to leave a permanent legacy which is not dependent upon additional monies from the U.S. taxpayer.
- Expand investment monitoring with even deeper involvement of both CSAEF staff and outside expert assistance; nurture growing companies in their drive to maturity.
- Continue entrepreneur training.
- Foster additional Technical Assistance projects that support discrete systemic change to benefit the small and medium-sized business community.
- Seek to exit profitable investments.



Calamarus

A Small-Business Loan Success:

CALAMARUS s.r.o.

With the help of a CAEF/KB small business loan, the company CALAMARUS s.r.o. purchased a 4-color printing press and related equipment, enabling them to expand their operations. CALAMARUS, a 5-year-old design company, had limited production and printing capacity. The owners recognized that by bringing the printing in-house they could become more competitive — providing faster service to their clients while at the same time improving their margins. Since obtaining the loan, CALAMARUS has expanded to a renovated facility, added 8 new employees, and has experienced impressive growth in sales.

SUMMARY OF CAEF COMMITMENTS

Amounts Authorized by the Board as of September 30, 1995

INVESTMENTS

Alp - Martin Hanuš, Prague

ALP is a 100% Czech-owned and managed firm. Started in 1988 in the entrepreneur's home, the company produces backpacks for sale primarily in the Czech Republic (65%) and Western Europe (35%). Company production increased at the end of 1995 enabling the company to bring its loan current as of November, 1995, so that it has now repaid 25% of it. 20 employees.

Date of Approval:	4/8/92
Loan	$ 69,000
Total	$ 69,000

Ameribif, Prague

A Czech-American joint venture, Ameribif was to use a patented U.S. bio-fermenting technology to produce fertilizer (called BioGanic) and cattle feed. The company was not successful and is undergoing liquidation.

Date of Approval:	2/9/92
Loan	$ 412,000
Equity (33%)	69,000
Total	$ 481,000

B & BC, Plzeň

B&BC is a manufacturer of concrete building materials, prefabricated products, and construction systems. Privatized in 1993, the Company has shown above average growth and profitability, and is well located to supply products to the new highway from Plzeň to Germany. The CAEF's investment is matched by a co-investment from Renaissance Partners in what was the first Czech investment for this private regional investment firm. 100 employees.

Date of Approval:	4/5/95
Loan	$ 1,000,000
Equity (33.5%)	100,000
Total	$ 1,100,000

CES Uniweb, Letohrad

CES Uniweb is a joint venture between Uniweb AG, a Swiss textile conglomerate, and Primona, a Czech textile firm. The venture weaves cotton fabric to Swiss standards and re-employs laid-off textile workers in the region. CAEF is an equity co-investor along with Flemings (CZIC Fund), Česká Spořitelna and Spořitelna Investiční Fund. The EBRD has provided over $4 million in loans through ING Bank. Since the Company was not meeting expectations, the CAEF and Flemings installed a new general manager who is transferring most of the remaining Swiss operations to the Czech Republic to lower costs. In 1996, the emphasis will be on improved marketing and cash management. 163 employees

Date of Approval:	12/10/92
Loan	$ 700,000
Equity (16.7%)	1,250,000
Total	$ 1,950,000

Chiradent (formerly Chirana), Prague

A privatized Czech company, Chiradent specializes in the production of dental and X-ray equipment. Chiradent is marketing its dental equipment to Eastern Europe and developing countries. The company has repaid over 70% of its loan and should complete repayments during FY96. 180 employees.

Date of Approval:	1/28/92
Loan	$ 862,000
Total	$ 862,000

Amounts Authorized by the Board as of September 30, 1995

INVESTMENTS

Elfra, Chrudim

Elfra is a start-up, 100% Czech-managed assembler of electronic circuit boards, primarily for export. The CAEF's investment enabled Elfra to purchase U.S. surface mount technology to produce high-tech circuit boards. After a slow start-up period, the company is now gaining many new orders and customers, with personnel increases planned for early 1996. 71 employees.

Date of Approval:	10/14/92
Loan	$ 345,000
Equity (55%)	124,000
Total	$ 469,000

EMU, Brno

Owned and managed since mid-1992 by a Czech entrepreneur and engineer, EMU operates a small 727,000 KWh per year hydroelectric plant on the banks of the Svitava River, and sells to the local municipal net. The company repaid its loan in full in 1995, ahead of schedule. 1 employee.

Date of Approval:	10/31/91
Loan	$ 22,000
Total	$ 22,000

EVE Vyskočil, Jesenný

Vyskočil operates a small 940,000 KWh per year hydroelectric plant on the banks of the Kamenice River. The company repaid its loan in full in 1995, ahead of schedule. 1 employee.

Date of Approval:	2/19/92
Loan	$ 69,000
Total	$ 69,000

Hanžl, Vimperk

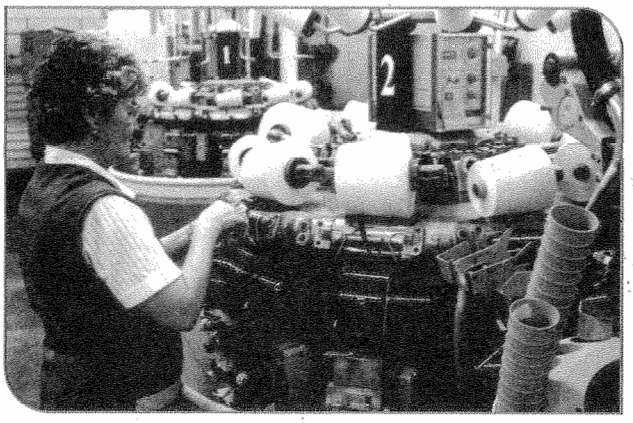
Hanžl bakery started operation in November, 1992. Hanžl markets its products to the local community and to the large tourist market destined for the Šumava National Park. The bakery has not grown as rapidly as originally expected and the CAEF is negotiating a settlement. 7 employees.

Date of Approval:	10/17/91
Loan	$ 150,000
Equity (30%)	5,000
Total	$ 155,000

Heli, Mladá Boleslav

Heli is a helicopter service company. It patrols the transnational pipeline that connects Russia with Germany. It also operates a helicopter pilot school, provides transportation, and is a distributor for the U.S.-made Robinson helicopters. As of November, 1995, the company had repaid 56% of its loan. 6 employees.

Date of Approval:	2/16/92
Loan	$ 328,000
Total	$ 328,000



CES Uniweb

Holztherm, Plzeň

Holztherm converts wood waste, principally sawdust, into briquettes for residential heating. The compressed briquette product is a cleaner burning, more convenient and more environmentally friendly fuel source than coal. Holztherm was awarded the contract for disposing of the old Czechoslovak currency notes. The company ran into serious difficulty when its main distributor in Germany developed cash-flow problems and stopped purchasing. Holztherm was acquired by another Czech firm in 1995, for which the CSAEF received 21% of its original equity invested. 47 employees.

Date of Approval:	10/14/92
Equity (16%)	$ 328,000
Total	$ 328,000

JAMI - Jaromír Mísař, Vsetín

JAMI manufactures and markets a small, multi-purpose agricultural machine. With attachments, the machine can be utilized as a brush cutter, plow, and cultivator. The company continues to struggle following the split of the Republics, as most sales were originally to Slovakia. 10 employees.

Date of Approval:	4/8/92
Loan	$ 42,000
Total	$ 42,000

Kovopodnikatel Topič, Kojetín

Kovo Topič primarily produces gas cans, car roof racks, tissue dispensers and other sheet metal products for export to Western Europe. The company suffered when its leading distributor in the United Kingdom went bankrupt in 1993. The CAEF petitioned for bankruptcy for Kovo Topič in August, 1995, though negotiations on a voluntary settlement continue.

Date of Approval:	2/19/92
Loan	$ 276,000
Total	**$ 276,000**

Amounts Authorized by the Board as of September 30, 1995

INVESTMENTS

KPCM, Batňovice

KPCM is a start-up, 100% Czech-managed slaughtering and meat production facility which began operation in early 1993. The company produces raw and processed meat for restaurants, hotels, and butchers. The Company has yet to meet expectations, leading the CAEF to install a new general manager. 40 employees.

Date of Approval:	10/14/92
Loan	$ 517,000
Equity (44%)	241,000
Total	$ 758,000

Kříž, Letovice

CAEF financed the early 1992 start-up of this 100% family-owned and managed company. Kříž produces a wide variety of embroidered products for the domestic market. To facilitate growth, Kříž has also borrowed about $51,000 under the CAEF's joint lending program with Komerční Banka. To date, the company has repaid 70% of its loan. 16 employees.

Date of Approval:	2/19/92
Loan	$ 193,000
Total	$ 193,000

Marbrot, Prague - Nebušice

The Fund's first financing (in 1991), Marbrot bakery provides baked goods to establishments in the Prague area, including the Prague airport and selected hotels and grocery stores. The company has repaid 40% of its loan. However, it ran into difficulty when the manager became ill. The CAEF negotiated terms for the remaining amounts due. 6 employees.

Date of Approval:	9/9/91
Loan	$ 69,000
Total	$ 69,000

Mykointegra, Jeneč

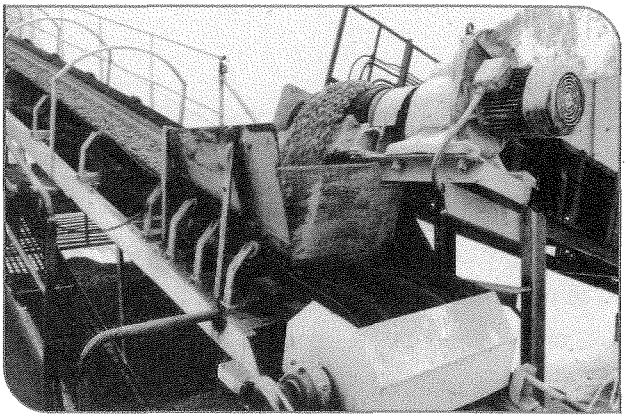
Mykointegra is a 100% Czech-owned and managed firm that produces compost for mushrooms from straw and other forms of bio-waste. Compost is packaged in 10 kilo bags and sold to domestic commercial mushroom growers. The company has repaid 90% of its loan and is expected to repay the remainder during FY96. 20 employees.

Date of Approval:	8/6/92
Loan	$ 107,000
Total	$ 107,000

Peklton, Štiřín

Peklton bakery is in liquidation due to difficulties in penetrating the market.

Date of Approval:	1/28/92
Loan	$ 668,000
Equity (30%)	106,000
Total	$ 774,000



B&BC

Rollpa, Prague

Rollpa produces and markets modular furniture made primarily from pressed, rolled (recycled) paper tubes. The company has yet to exploit the advantages of its products in the marketplace. The CAEF assisted by providing a marketing consultant to develop a fresh plan and assist in its implementation. 50 employees.

Date of Approval:		7/27/93
Loan	$	269,000
Equity (66%)		834,000
Total	$	1,103,000

Švanda, Liberec

The Švanda bakery has closed due to difficulties in penetrating the market. The Fund liquidated its position, resulting in a small loss on the investment.

Date of Approval:		8/6/92
Loan	$	73,000
Equity (30%)		30,000
Total	$	103,000

Tesla – YS j.v., Hradec Králové

This joint venture is beginning to produce ceramic substrates for the electronics industry, with 100% of the product being exported to Western Europe and Asia. The equity partners include the CAEF; Tesla Hradec Králové; Y.S. Inc., a Japanese producer of ceramic substrates; and JAIDO, the Japan International Development Organization. Tesla was the first investment made by JAIDO in the Czech Republic under a U.S. government initiative to encourage Japanese participation in the transformation of the East European economies. The EBRD has provided a loan of over $7 million to the project. 140 employees.

Date of Approval:		10/14/93
Debt	$	413,000
Equity (19%)		1,265,000
Total	$	1,678,000

TOTALS		
Debt	$	6,584,000
Equity		4,352,000
Grand Total	**$**	**10,936,000**

Note: Amounts shown are as authorized by the Board of Directors, before repayments. Amounts may differ from amounts shown in the Financial Statements due to exchange rate changes and capitalized interest.

SUMMARY OF SAEF COMMITMENTS

Amounts Authorized by the Board as of September 30, 1995

INVESTMENTS

AgManagement, Skalica

AgManagement Skalica, is a start-up beef cattle breeding farm. It is a joint venture between AgManagement of Kansas City, a livestock genetics company, and Skalica (Slovakia) Farm Cooperative. The goal is to breed world-class Charolais and Simmental beef herds in Slovakia. The farm now has about 250 head of Charolais and Simmental cattle, and a cow and bull each won Grand Champion awards at the Agrocomplex International Agriculture Show in Nitra, Slovakia, in August, 1995. 5 employees.

Date of Approval:	9/9/91
Loan	$ 572,000
Total	$ 572,000

Ameta, Poprad

Ameta is a start-up manufacturer of corrugated plastic hoses for automatic washing machines, initially for the American/Slovak joint venture, Whirlpool Tatramat. During 1995, Whirlpool conducted an intense review to reduce the number of European suppliers and Ameta emerged as one of the qualified suppliers. The company has a potential to become the premier supplier of such hoses in Central and Eastern Europe. 9 employees.

Date of Approval:	10/14/92
Loan	$ 400,000
Equity (60%)	138,000
Total	$ 538,000

BeneMedica - Bratislava

BeneMedica is a joint venture between the SAEF, Wheelsport International, (a U.S. wheelchair maker), and Helas (one of SAEF's first borrowers three years ago). Organizational problems have delayed startup. Once underway, the venture will manufacture and sell wheelchairs in West and East European markets. 18 employees expected.

Date of Approval:	10/14/93
Loan	$ 300,000
Equity (58%)	300,000
Total	$ 600,000

Bryndziareň - P. Makovický, Ružomberok

The entrepreneur successfully continues a family tradition of producing "bryndza," a specialty sheep cheese. The company has repaid 52 % of its loan. 8 employees.

Date of Approval:	5/6/92
Loan	$ 10,000
Total	$ 10,000

BSK, Banská Bystrica

BSK was a start-up manufacturer of concrete roof tiles that began production in March, 1993. It was unable to overcome the problems caused by the deep recession of the Slovak construction industry. The company is in bankruptcy and is expected to be liquidated.

Date of Approval:	9/9/91
Loan	$ 482,000
Equity (61%)	552,000
Total	$ 1,034,000

Vega

Bujakovo MVE, Brezno

Bujakovo is a small-scale 360,000 KWh per year hydroelectric power generation facility on the Hron River near Brezno. Construction began in August, 1993. The company has repaid 29% of its loan; however, regulated electric rates remain lower than expected, reducing cash flow. 1 employee.

Date of Approval:	12/10/92
Loan	$ 206,000
Equity (24%)	45,000
Total	$ 251,000

Coopex-Codum, Bratislava

Founded in 1992, Coopex-Codum manufactures white boards and signs, and distributes a wide variety of products for the business and educational markets. The SAEF's investment is enabling the company to expand its marketing efforts in Germany, Austria, and other countries. 20 employees.

Date of Approval:	2/15/95
Equity (45%)	$ 328,000
Total	$ 328,000

Dekoplast, Svidník

Dekoplast was an ongoing thermoplastics injection molding business for which the SAEF provided expansion capital. The company's principal product is a plastic box used by the German automotive industry for first aid kits. The company has had many difficulties, and the SAEF is proceeding with liquidation. 35 employees.

Date of Approval:	12/4/91
Loan	$ 238,000
Equity (31%)	95,000
Total	$ 333,000

Ferex, Nitra

Ferex manufactures 1100-liter metal trash dumpsters and 110-liter metal trash cans. It is currently the only producer of these products in Slovakia and sells them in both the Czech and Slovak Republics. The company has repaid 85% of its loan and expects to repay the remainder by the end of calendar 1995, ahead of schedule. 70 employees.

Date of Approval:	1/27/93
Loan	$ 131,000
Total	$ 131,000

Amounts Authorized by the Board as of September 30, 1995

INVESTMENTS

Finsat, Bratislava

Finsat is a start-up information service provider of real-time financial news and market data for the Czech and Slovak Republics. The company has encountered numerous difficulties, including the need to increase its customer count to over 60 in the two Republics. Finsat distributes information via satellite to be able to offer quality transmission. 10 employees.

Date of Approval:		3/30/93
Loan	$	500,000
Equity (63.4%)		250,000
Total	$	750,000

Gamma, Banská Bystrica

Gamma is a start-up assembler and distributor of push-pull cables. The company has a licensing agreement with Tuthill, a subsidiary of the American company Cablecraft. Gamma is the exclusive Cablecraft assembler in the Czech and Slovak Republics. The company has performed well and is looking to expand. 9 employees.

Date of Approval:		1/27/93
Loan	$	112,000
Equity (45%)		34,000
Total	$	146,000

Helas, Bratislava

Helas is a metalworking company specializing in mobility aids such as crutches, walkers, and handgrips. In its two- and-a-half years of existence, the company has expanded to produce tables and environmental monitoring trailers, but financial performance has been weak. In July, 1994, Helas joined with a U.S. company to form the BeneMedica joint venture. 28 employees.

Date of Approval:		10/17/91
Loan	$	138,000
Total	$	138,000

Istrocera, Svätý Peter

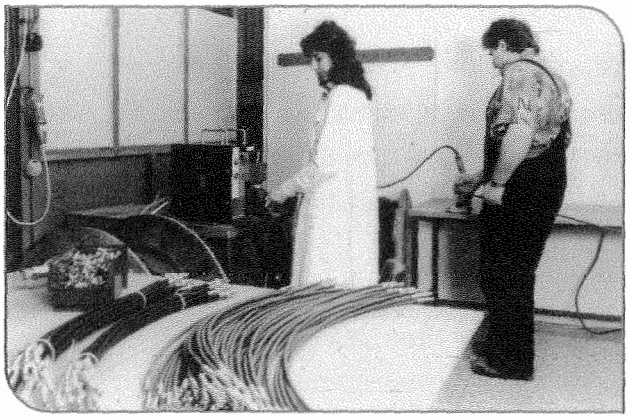
Istrocera processes beeswax for use in cosmetics, polishes, cremes, and pharmaceutical applications. Its primary market is Western Europe. The company has been unable to obtain raw materials at prices low enough to make production profitable. The SAEF and the company are working to resolve the difficulties, including management changes. In November, the SAEF obtained 70% of the equity voting rights in order to better assure that proper changes are made at the company. 18 employees.

Date of Approval:		12/4/91
Loan	$	308,000
Equity (31%)		9,000
Total	$	317,000

Kveta, Nová Baňa

Kveta, a manufacturing cooperative for the disabled, started as a producer of decorative paper flowers. The injection molding division produces kitchen products, toys, plastic components, and Christmas trees. Fund investment was for the addition of larger capacity molding machines to serve the appliance and automobile markets. In 1995, the plastics division of Kveta developed a joint venture with the French plastics company AAIP. The company has repaid 31% of its loan. 375 employees.

Date of Approval:		10/14/92
Loan	$	552,000
Total	$	552,000



Gamma

Leader Gasket of Slovakia, Bytča

Leader Gasket is a U.S.-Slovak joint venture to produce spiral-wound and other specialized gaskets for the petroleum and chemical industries. The company is the first in the SAEF portfolio to receive the coveted ISO 9000 certification, the world standard in quality measures. Leader Gasket of Slovakia is now entering the broader market by distributing industrial gaskets and sealing products. Started in 1992 with zero revenues, the company's annual sales now exceed $3 million. 145 employees.

Date of Approval:	2/19/92
Loan	$ 500,000
Equity (49%)	489,000
Total	$ 989,000

Matuška, Štúrovo

Matuška has a modern, automated wooden EUROPOOL pallet manufacturing line with capacity of 60-80,000 pieces per month. It has not been able to produce profitably, has lost all competitive advantages, and the SAEF is considering restructuring/liquidation alternatives. 30 employees.

Date of Approval:	2/19/92
Loan	$ 621,000
Equity (40%)	345,000
Total	$ 966,000

NZ Foundry, Cínobaňa

As is the case with many companies going through the coupon-voucher privatization process, NZ Foundry emerged with insufficient capital to expand and modernize. The SAEF negotiated its participation in the newly privatized foundry with the investment funds. Shortly after making the investment, the SAEF discovered a variety of managerial and other problems. Under the SAEF's guidance, a new management team was put in place and the company has shown slow but steady improvement. 320 employees.

Date of Approval:	2/2/94
Loan	$ 597,000
Equity (38%)	597,000
Total	$ 1,194,000

Amounts Authorized by the Board as of September 30, 1995

INVESTMENTS

Oligo, Bratislava

Oligo Dvory is a start-up company that will extract xylose, a low-calorie sweetener, from corncobs and sell it on the international market. Production is expected to begin in early 1996. 24 employees.

Date of Approval:		4/8/92
Loan	$	1,110,000
Equity (30%)		242,000
Total	$	1,352,000

Penta, Kysucké Nové Mesto

Penta is a start-up manufacturer of 50cc and 125cc motorcycles whose Slovak owner-managers garnered extensive experience on the motorcycle racing circuit. Financial performance has been poor due to the difficulty of breaking into the motorcycle market. The SAEF is considering restructuring/liquidation alternatives. 70 employees.

Date of Approval:		2/19/92
Loan	$	714,000
Equity (32%)		614,000
Total	$	1,328,000

Peško, Liptovský Mikuláš

Peško operates a small retail bakery in Liptovský Mikuláš. The company has been unable to operate competitively and may shut down or adjust its line of business. 5 employees.

Date of Approval:		1/28/92
Loan	$	85,000
Equity (31%)		17,000
Total	$	102,000

PoMa, Považská Bystrica

PoMa is a bakery and sweet shop located within a 5,000 unit apartment complex. In 1995, due to disagreements with the entrepreneur, the SAEF arranged to take over the bakery and is seeking to sell, lease, or otherwise dispose of it.

Date of Approval:		1/28/92
Loan	$	303,000
Equity (100%)		83,000
Total	$	386,000

Pyrokontrol, Pobedím

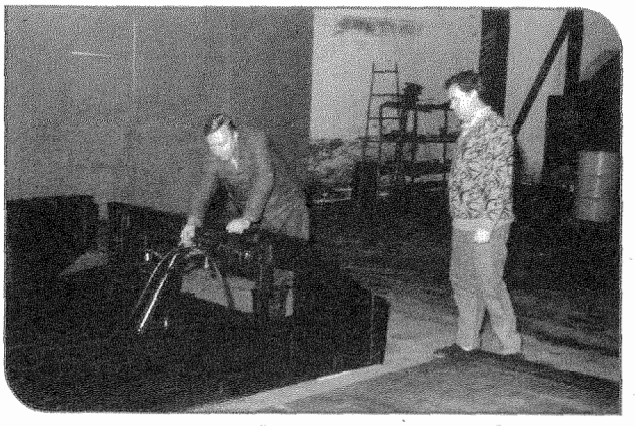
Pyrokontrol began as a joint venture between Slovak entrepreneurs and a U.S. company, to manufacture and sell fire extinguishers and related products. In 1995, a Slovak distributor established a relationship with a major European fire equipment company, and at present it is negotiating buy-out of the U.S. partners. 14 employees.

Date of Approval:		1/28/92
Loan	$	950,000
Equity (24%)		360,000
Total	$	1,310,000

Rotor, Košice

Rotor is a small-scale hydroelectric power generation facility on the Hornád River in Košice generating 3.5 million KWh of electricity per year. Regulated electric rates remain below expectations, reducing cash flows. 1 employee.

Date of Approval:		12/4/91
Loan	$	440 000
Equity (20%)		32,000
Total	$	472,000



Schramko

Schramko, Senec

Schramko is a manufacturer of loading ramps (to facilitate loading of trucks and containers), industrial tables (to adjust the height of machines and heavy objects), and agricultural trailers with a unique 3-way unloading capability. 74 employees.

Date of Approval:	4/21/93
Loan	$ 206,000
Equity (35%)	621,000
Total	$ 827,000

Stewart Information Slovakia (SIS), Bratislava

SIS is a joint venture between a U.S. information services company, the SAEF, and three Slovak agencies with expertise in land registry, taxation and finance. SIS will offer to Slovak municipalities a real estate information system that will facilitate establishing clear title to properties. The joint venture is the outcome of the pilot project using the SAEF's Technical Assistance Funds to provide the system to Brezno, Slovakia. 8 employees.

Date of Approval:	10/12/94
Loan	$ 600,000
Equity (30%)	348,000
Total	$ 948,000

Thermal Laminates Corp. - Europe, Nové Mesto nad Váhom

This is a start-up joint venture consisting of the SAEF, Dynafiber of Washington State (USA) and three Slovak partners. The joint venture manufactures high-end sailboards, primarily for the Western European market. The company completed its first full season successfully in 1995, selling 3,734 sailboards. 74 employees.

Date of Approval:	1/27/93
Loan	$ 450,000
Equity (50%)	200,000
Total	$ 650,000

US/SM, Tisovec

US/SM is a joint venture between Gradall, a U.S.-based manufacturer of construction machinery, and Cestné a Stavebné Mechanizmy (CSM), a Slovak construction machinery company. CSM and Gradall have been working together selling machines in Eastern Europe for 2 years. The joint venture expands that effort by allowing CSM to produce more modern machines while providing Gradall with a more cost competitive product for the European market. 2 employees.

Date of Approval:	4/18/94
Loan	$ 400,000
Equity (20%)	200,000
Total	$ 600,000

Amounts Authorized by the Board as of September 30, 1995

Včelárstvo Dedinský, Bratislava

Dušan Dedinský is a private beekeeper in a long family tradition that produces honey and other bee products. Mr. Dedinský also acts as a broker, buying honey from other Slovak beekeepers for export to Germany. In November, 1995, the company repaid its loan in full. 3 employees.

Date of Approval:	4/8/92
Loan	$ 86,000
Total	$ 86,000

Vega, Malženice

VEGA is a modern, state-of-the-art hydroponic greenhouse with heat supplied by surplus heat from a nearby electric generating plant. The main products are tomatoes and poinsettias, with other vegetables and potted flowers grown as well. 37 employees.

Date of Approval:	1/27/93
Equity (60%)	$ 1,000,000
Total	$ 1,000,000

WIC Europe, Dunajská Streda

A supplier of sugar beet harvesters and related equipment, WIC is a joint venture between WIC USA of Minnesota and a Slovak entrepreneur with whom WIC had been cooperating to sell harvesters since 1992. With the SAEF's funding, sales are expected to grow, allowing the joint venture to become more competitive over time by sourcing materials and assembly in Slovakia. 2 direct employees, with more expected over time on a subcontract basis with other Slovak firms.

Date of Approval:	1/5/95
Loan	$ 650,000
Equity (67%)	568,000
Total	**$ 1,218,000**

TOTALS		
	Debt	$ 11,661,000
	Equity	7,467,000
	Grand Total	**$ 19,128,000**

Note: Amounts shown are as authorized by the Board of Directors, before repayments. Amounts may differ from amounts shown in the Financial Statements due to exchange rate changes and capitalized interest.

TOTAL CSAEF TECHNICAL ASSISTANCE FUNDS

Authorized through September 30, 1995

Czech Republic

To provide training for both lenders and entrepreneurs in the Small-Business Lending Program with Komerční Banka, plus development costs for the program.	$ 470,000
To provide training for new CAEF staff on developing business proposals.	75,000
To develop model loan (and related) documentation for small business transactions, in conjunction with the Czech Bar Association.	70,000
To assist investees with upgrading financial reporting.	70,000
American Business Center Plzeň, to encourage U.S. businesses to invest and partner with area companies.	35,000
To provide startup costs for the Czech Venture Capital Association.	10,000
To promote commercialization of technologies developed in the Czech Republic.	9,000
East European Foundation for Entrepreneurship Research, to expose East European faculty to Western business practice.	4,000
Outside experts (International Executive Service Corps., independent consultants, et. al.) for half of the CAEF's investments.	130,000
SUB TOTAL	**$ 873,000**

Slovak Republic

To attract private investment capital (both foreign and domestic) to a new private equity fund for Slovakia. Unfortunately, after substantial effort, the CSAEF was unable to close the proposed fund.	$ 280,000
To train both the lenders and entrepreneurs in the Small-Business Lending Program with Slovenská Poľnohospodárska Banka (renamed Poľnobanka).	250,000
To develop an automated land-record system for Brezno, Slovakia, with the prospect for commercialization of the system throughout Slovakia.	239,000
To develop an automated central registry for recording liens on moveable property, with the prospect for commercialization of the system in Slovakia.	140,000
To develop a waste-management program for Pùchov, Slovakia. A portion of the total cost of the study was shared with the U.S. Trade and Development Agency. Based on the results of the study, the SAEF is examining ways to commercialize the waste management function of Pùchov as a model for other cities.	115,000
To provide additional training to new SAEF Slovak professional investment staff.	96,000
To assist selected SAEF investees obtain ISO 9000 certification.	60,000
To train likely candidates for SAEF financing in business planning and presentation procedures for funding requests to Western firms.	38,000
To review environment, fire code, and worker health and safety practices at SAEF investments.	15,000
To establish a venture capital association for Slovakia.	10,000
Outside experts (IESC, independent consultants, et. al.) for two thirds of the SAEF's investments.	600,000
SUB TOTAL	**$ 1,843,000**

Both Republics

MBA Enterprise Corps, to support the work of an organization that trains graduates of top U.S. business schools who wish to live in Central and Eastern Europe while working for companies there (receiving local salary and benefits). The CSAEF is a long-standing beneficiary of the Corps, with several Corps members having worked (and working) in both the Prague and Bratislava offices, and with several more working for companies where the CSAEF has an investment.	$ 900,000
Central Europe Institute, to support small-business advisory centers.	115,000
Total - Czech and Slovak Republics	$ 1,015,000
Grand Total - all projects	**$ 3,731,000**

Czech and Slovak American Enterprise Fund

Consolidated Financial Statements

and Report of Independent Accountants Thereon
For the Years Ended September 30, 1995 and 1994

Coopers &Lybrand

Coopers & Lybrand L.L.P.

a professional services firm

To the Board of Directors
Czech and Slovak American Enterprise Fund

We have audited the accompanying consolidated balance sheets of the Czech and Slovak American Enterprise Fund and subsidiaries (the "Fund") as of September 30, 1995 and 1994, and the related consolidated statements of revenues, expenses and changes in fund balance and cash flows for the years then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards and *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included verification of investments owned as of September 30, 1995 and 1994, by examination and by correspondence with the investees. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Czech and Slovak American Enterprise Fund and subsidiaries as of September 30, 1995 and 1994, and the consolidated results of their operations, changes in fund balance, and their cash flows for the years then ended, in conformity with generally accepted accounting principles.

As explained in Note 2, the consolidated financial statements include investments valued at $16,286,580 (61% of total assets) and $16,033,674 (61% of total assets) at September 30, 1995 and 1994, respectively, whose values have been estimated by the Board of Directors in the absence of readily ascertainable market values. We have reviewed the procedures used by the Board of Directors in estimating the fair values of such investments and have inspected underlying documentation, and, in the circumstances, we believe the procedures are reasonable and the documentation appropriate. However, because of the inherent uncertainty of valuation, those estimated values may differ significantly from the values that would have been used had a ready market for the investments existed, and the differences could be material.

Coopers & Lybrand L.L.P.

Washington, D.C.
November 24, 1995

Coopers & Lybrand L.L.P., a registered limited liability partnership, is a member firm of Coopers & Lybrand (International).

Consolidated Balance Sheets

September 30, 1995 and 1994

ASSETS	1995	1994
Investments:		
Investments, cost	$ 25,917,027	$ 20,361,613
Reserve for potential losses	(9,630,447)	(4,327,939)
Investments, net	16,286,580	16,033,674
Cash and cash equivalents	2,478,005	2,823,534
Central Bank deposit facility	7,000,000	7,000,000
Accrued interest receivable, net	363,401	222,217
Prepaid expenses and other assets	138,908	107,737
Fixed assets, net	294,620	404,072
Total assets	$ 26,561,514	$ 26,591,234

LIABILITIES AND FUND BALANCE		
Liabilities:		
Revolving credit facility	$ 1,831,415	$ 2,125,437
Accounts payable and accrued expenses	645,581	359,933
Deferred origination fees	35,488	79,928
Deferred grant revenue	1,116,765	4,935,804
Total liabilities	3,629,249	7,501,102
Commitments and contingencies		
Fund balance:		
Cumulative translation adjustment	855,102	1,747
Fund balance	22,077,163	19,088,385
Total fund balance	22,932,265	19,090,132
Total liabilities and fund balance	$ 26,561,514	$ 26,591,234

The accompanying notes are an integral part of these consolidated financial statements

Consolidated Statements of Revenues, Expenses & Changes in Fund Balance

For the years ended September 30, 1995 and 1994

	1995	1994
INVESTMENT INCOME		
Investment interest and fees	$ 1,183,351	$ 1,036,939
Interest on bank deposits	842,035	604,929
Investment income	2,025,386	1,641,868
Interest expense	432,826	508,275
Net investment income	1,592,560	1,133,593
Provision for losses on investments	5,184,700	2,750,000
Net investment loss after provision for investment losses	(3,592,140)	(1,616,407)
EXPENSES		
Employee compensation & benefits	1,585,479	1,310,661
Program development	506,781	187,741
Legal and professional fees	205,808	226,367
Depreciation and amortization	117,620	98,592
Occupancy	267,910	234,264
Other operating expenses	396,924	426,384
Total expenses	3,080,522	2,484,009
Technical assistance grants	903,600	686,547
U.S. Federal grant revenue	10,565,040	8,361,582
Excess of revenues over expenses	2,988,778	3,574,619
Fund balance, beginning of year	19,088,385	15,513,766
Fund balance, end of year	**$ 22,077,163**	**$ 19,088,385**

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Cash Flows

For the years ended September 30, 1995 and 1994

	1995	1994
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of revenues over expenses	$ 2,988,778	$ 3,574,619
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:		
Technical assistance included in investing activities	903,600	686,547
Provision for losses on investments	5,184,700	2,750,000
Depreciation and amortization	137,966	119,330
Changes in operating assets & liabilities:		
Accrued interest receivable	(292,550)	172,551
Prepaid expenses and other assets	(31,171)	(32,301)
Accounts payable and accrued expenses	285,648	22,012
Deferred origination fees	(44,440)	(66,955)
Deferred grant revenue	(3,819,039)	(391,583)
Net cash provided by Operating Activities	5,313,492	6,834,220
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments made	(6,004,218)	(5,776,795)
Technical assistance granted	(903,600)	(686,547)
Purchases of fixed assets	(28,514)	(200,755)
Loan repayments	1,748,243	621,451
Net cash used in Investing Activities	(5,188,089)	(6,042,646)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase/(decrease) in revolving credit facility, net	(470,932)	666,685
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(470,932)	666,685
Net increase (decrease) in cash and cash equivalents	(345,529)	1,458,259
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	2,823,534	1,365,275
CASH AND CASH EQUIVALENTS AT END OF YEAR	**$ 2,478,005**	**$ 2,823,534**

The accompanying notes are an integral part of these consolidated financial statements.

1. Organization of Fund

The Czech and Slovak American Enterprise Fund ("the Fund") is a not-for-profit corporation formed pursuant to the Support for East European Democracy Act of 1989 (the "SEED Act"). The Enterprise Fund and its wholly-owned operating subsidiaries, Czech American Enterprise Fund, spol. s r.o. and Slovak American Enterprise Fund, spol. s r.o. (collectively, the "Fund" or "CSAEF"), promotes the development of the Czech Republic ("CR") and the Slovak Republic ("SR") private sectors and policies and practices conducive to such development. It is similar to Funds now operating elsewhere in Central and Eastern Europe and the Newly Independent States.

The Fund is engaged in a broad private investment program in the CR and SR which, through equity investments, loans, grants, technical assistance and other measures, emphasizes a commitment to small and medium-sized businesses. The Fund provides technical assistance to businesses in the CR and SR private sectors, including those in which the Fund has invested, and to the CR and SR governments to assist them in developing their private sectors and market economies. Through its direct role in investments in the CR and SR private sectors, the Fund seeks to generate profits that will further support its activities and attract investments by others. As part of its investment operations, the Fund may obtain representation on supervisory and management boards of investee companies. Entities in which the Fund invests may enter into business transactions with each other in the normal course of business.

2. Summary of Significant Accounting Policies

The significant accounting policies are as follows:

Basis of presentation

The consolidated financial statements include the financial position and the results of operations of the Enterprise Fund and its operating subsidiaries. Intercompany accounts and transactions are eliminated in consolidation. Investments in portfolio companies are carried on the balance sheet as investments and are not consolidated.

Investment valuation

The Fund's investments, as set forth in Note 4, are not readily marketable and are not listed on an exchange or quoted in an open market. These investments are stated at fair value as recommended by management and approved by the Board of Directors (the "Board"). In general, the Fund's policy is to carry investments at cost except where a change in the investee company's circumstances warrants a lower or higher valuation. No unrealized gains have been reflected in the portfolio valuation. The values assigned to investments are based on available information and do not necessarily represent amounts that might ultimately be realized, since such amounts depend on future developments inherent in long-term investments. The valuation is made after evaluating the portfolio, current economic conditions, information about specific investment situations, including payment history, collateral value, cash flows, earnings, and other factors considered relevant by management. These factors are subject to change over time and are reviewed periodically. As adjustments become necessary, they are reported in the period in which they become known. There is limited precedent for valuing such investments in the CR or SR. Therefore, there is little experience upon which to base the estimate of risk and amount of possible losses. The Fund obtains collateral in investee company assets where possible.

Cash equivalents

For purposes of the statements of cash flows, the Fund considers all highly liquid financial instruments purchased with a maturity of three months or less to be cash equivalents. Cash held in banking accounts in excess of FDIC insurance limits is collateralized by securities of the U.S. Government or its agencies.

Fixed assets

Fixed assets and leasehold improvements are stated at cost net of accumulated depreciation and amortization. Computer hardware, furniture and equipment are depreciated on a straight-line basis over their estimated useful lives, principally five years. Leasehold improvements are amortized on a straight-line basis over the lesser of their useful lives or the term of the lease.

Revenue recognition

Grants are recognized as revenue when funds are invested or expended consistently with the purpose of the Fund set forth in the SEED Act. Amounts received but not yet invested or expended are reported as Deferred Grant Revenue. Loan fees charged to borrowers are recognized as an adjustment of yield over the life of the loan. Fees charged for business advisory services are recognized to income as services are rendered.

Translation of foreign currency

The Subsidiaries use the local currency as the functional currency and translate all assets and liabilities at year-end exchange rates, and income and expense accounts at average exchange rates throughout the year. Net exchange gains or losses resulting from the translation of assets and liabilities of foreign subsidiaries are accumulated in a separate section of fund balance titled "Cumulative Translation Adjustment." Gains and losses resulting from investment transactions of the Fund which are made in currencies other than the U.S. dollar are included in investment income as they occur, and were not material for either period presented.

Program development

Expenses directly attributable to the Fund's operating activities, such as consulting and travel, are recorded as program development expenses. Included herein are consulting fees of $238,000 and $0; directors' travel of $111,646 and $56,961; and CR and SR directors' fees of $10,000 and $10,000 for the years ended September 30, 1995 and 1994, respectively.

Donated services

Members of the Fund's Board of Directors donate significant amounts of their time to the Fund's program. No amounts have been reflected in the accompanying financial statements for such donated services.

3. U.S. GOVERNMENT GRANTS

The Agency for International Development ("AID") has granted the Fund $65 million for program purposes, including administrative expenditures (the "AID Grant"). Amounts received from AID are conditioned upon the Fund's compliance with the requirements of the AID Grant and SEED Act, which impose certain U.S policy objectives and reporting obligations. Under the terms of the AID Grant, the Fund may hold funds in interest bearing accounts and may retain investment and program income for program purposes. At September 30, 1995, the status of the AID Grant was as follows (in millions):

Initial authorization	$ 60.0
Technical assistance grant from AID	5.0
Total funding available	65.0
Less amounts received	41.7
Balance available under letter of credit from AID	23.3
Less amounts committed	12.2
Uncommitted balance available	$ 11.1

3. Investments

The following summarizes the U.S. dollar equivalent value of investments of the Fund as of September 30, 1995:

Investment	Description	Cost	Type	% Owned	Republic
AgManagement	Cattle Breeding, j.v.	$ 660, 057	Loan		Slovak
ALP - Martin Hanuš	Backpacks	60,881	Loan		Czech
Ameribif	Biofermentation, j.v.	427,302	Loan		Czech
		73,030	Equity	33%	
Ameta	Plastic molding	311,334	Loan		Slovak
		135,410	Equity	60%	
B & BC	Cement Manufacturer	500,000	Loan		Czech
		102,644	Equity	33.5%	
BeneMedica	Orthopedic devices	326,269	Equity	58%	Slovak
Bryndziareň - P. Makovický	Cheese manufacturer	4,116	Loan		Slovak
BSK	Cement roof tile	519,281	Loan		Slovak
		541,638	Equity	61%	
Bujakovo MVE	Low-head hydro	153,781	Loan		Slovak
		47,393	Equity	24%	
CES Uniweb	Textile, j.v.	827,200	Loan		Czech
		1,340,466	Equity	16.7%	
Chiradent	Dental instruments	142,266	Loan		Czech
Coopex-Codum	Office Supply manufacturer	340,160	Equity	45%	Slovak
Dekoplast	Plastic molder	272,155	Loan		Slovak
		93,094	Equity	31%	
Elfra	Electronic assembly -	298,686	Loan		Czech
	surface mount	136,576	Equity	55%	
Ferex	Waste disposal containers	21,801	Loan		Slovak
Finsat	Financial information	138,585	Loan		Slovak
		260,522	Equity	63.4%	
Gamma	Push-pull cable	82,990	Loan		Slovak
		33,852	Equity	45%	
Hanžl	Bakery	194,856	Loan		Czech
		5,691	Equity	30%	
Helas	Walking aids	137,229	Loan		Slovak
Heli	Helicopter patrolling	158,098	Loan		Czech
Istrocera	Beeswax processor	294,147	Loan		Slovak
		7,888	Equity	31%	
JAMI - Jaromír Mísař	Small agricultural equipment	35,472	Loan		Czech
Kovopodnikatel Topič	Metal products	317,561	Loan		Czech
KPCM	Meat production	531,222	Loan		Czech
		265,564	Equity	44%	
Kříž	Embroidery production	67,848	Loan		Czech
Kveta	Plastics molding	379,147	Loan		Slovak
Leader Gasket of Slovakia	Gasket manufacturer j.v.	410,648	Loan		Slovak
		489,153	Equity	49%	

Investment	Description	Cost	Type	% Owned	Republic
Marbrot	Bakery	$ 47,431	Loan		Czech
Matuška	Wooden pallets	455,952	Loan		Slovak
		338,524	Equity	40%	
Mykointegra	Biofermentation	11,790	Loan		Czech
NZ Foundry	Foundry	470,091	Loan		Slovak
		677,048	Equity	38%	
Oligo	Corn-based sweetener	1,034,336	Loan		Slovak
		236,967	Equity	30%	
Peklton	Bakery	714,935	Loan		Czech
		113,813	Equity	30%	
Penta	Motorcycle manufacturer	451,557	Loan		Slovak
		406,215	Equity	32%	
Peško	Bakery	103,142	Loan		Slovak
		16.926	Equity	31%	
PoMa	Bakery	270,276	Loan		Slovak
		81,246	Equity	100%	
Pyrokontrol	Fire extinguishers, j.v.	743,152	Loan		Slovak
		359,946	Equity	24%	
Rollpa	Furniture	229,691	Loan		Czech
		885,212	Equity	66%	
Rotor	Low-head hydro	484,577	Loan		Slovak
			Equity	20%	
Schramko	Hydraulic equipment, trailers	609,344	Equity	35%	Slovak
Stewart Info Slovakia (SIS)	Land Registration System	2,031	Equity	30%	Slovak
Tesla – YS	Ceramic substrates	285,000	Loan		Czech
		1,179,218	Equity	19%	
Thermal Laminates Corp. – Europe	Surfboards, j.v.	430,546	Loan		Slovak
		199,820	Equity	50%	
US/SM	Construction equipment	210,000	Loan		Slovak
		208,971	Equity	20%	
Včelárstvo Dedinský	Bee products	51,988	Loan		Slovak
Vega	Greenhouse	1,039,553	Equity	60%	Slovak
WIC – Europe	Sugarbeet harvesters	596,381	Equity	67%	Slovak
Subtotal - direct investments		24,091,692			
Joint lending programs		799,794	19 loans		Czech
		1,025,541	24 loans		Slovak
		25,917,027			
Less reserve for losses on investments		9,630,447			
Net investment balance		$ 16,286,580			

5. COMMITMENTS AND CONTINGENCIES

Contingency

The Fund has guaranteed a lease obligation through December 31, 1995 on behalf of one of its investees in the cumulative amount of $105,000 based on September 30, 1995 exchange rates.

Leases

The Fund is obligated under noncancelable operating leases for its Washington, Prague and Bratislava offices. The Prague lease is payable in German Deutsche marks, the Bratislava lease is payable in Slovak crowns. Future minimum payments under noncancelable leases are as follows:

Fiscal Year	
1996	$ 138,497
1997	13,810
Total	$ 152,307

The leases are subject to annual escalation based on increases in the consumer price index.

6. CENTRAL BANK DEPOSIT FACILITY

The Fund has a five-year revolving credit facility (the "Facility") with a Commercial Bank in Slovakia which expires May 1, 1998. The total amount available under the Facility is $7 million. Interest on the Facility is at the Slovak Central Bank discount rate plus a premium (9.75% at September 30, 1995), and is payable quarterly in arrears. Total interest paid for the year ended September 30, 1995 was $432,826. The Facility is collateralized by a $7 million deposit with the Slovak Central Bank which will revert to the Fund upon the expiration and liquidation of the Facility.

7. FIXED ASSETS

At September 30, 1995 and 1994, fixed assets consist of:

	1995	1994
Computer hardware/software	$ 350,548	$ 329,266
Furniture and equipment	263,757	256,131
Leasehold improvements	61,211	61,211
	675,516	646,608
Less: accumulated depreciation and amortization	(380,896)	(242,536)
	$ 294,620	$ 404,072

8. TAX STATUS

The Fund is exempt from federal income tax under Internal Revenue Code section 501(c)(3) and from District of Columbia franchise and income taxes.

9. CONCENTRATION OF CREDIT RISK

By statute, all of the Fund's investments are in business activities conducted in the CR and SR. As such, these investments are subject to the political and economic uncertainties associated with doing business in these Republics.

Board of Directors

Lawrence C. McQuade, Chairman
Chairman, Qualitas International

John R. Petty*
retired Chairman and CEO of the Marine Midland Bank

Joseph S. Fichera*
former Managing Director, Bear, Stearns & Co

Jerome Jacobson
Financial Consultant

Robert M. Rubin*
Executive Vice President & Director, AIG Trading Group

Milan F. Ondrus
International Business Advisor

Mr. Jan Tauber
Director, HSBC Investment Services Ltd., Prague

Mr. Milan Tomašovič

* Mr Petty's service on the Board terminated in November 1995.
Mr. Fichera's and Mr. Rubin's service on the Board terminated in December 1995.

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