

OUT-OF-COURT LEGAL PROTECTION PROCEEDINGS (OCLPP)

under law in force as at 01.11.2010

1) The debtor prepares an OCLPP plan and obtains approval from creditors:

- 1/2 non-secured creditors (total of main claims);
- 2/3 secured creditors (total of main claims).

Who may not vote (only to approve the plan): persons in the same group of companies, shareholders (natural persons) with decisive influence and persons who acquired claims against the debtor from the above listed persons within the previous 2 years.

2) Debtor and creditors agree on a candidate for administrator during the OCLPP.

3) Debtor receives administrator's report on the OCLPP plan.

Debtor **files an OCLPP application** accompanied by the approved OCLPP plan plus the administrator's report with the court. Meanwhile the OCLPP plan is sent to creditors who have not approved the plan.

A judge decides on initiation an OCLPP case not later than on the following day.

The OCLPP case is initiated, an entry is made in the IR.

Refusal to start the OCLPP.

OCLPP application is reviewed and approval of the plan is decided within 15 days.

The court decides on implementing the OCLPP, approves the OCLPP plan and appoints the administrator.

Maximum length of the OCLPP is 2+2 years.

After approval by the court, the OCLPP plan is binding on all creditors including those who did not approve it.

The OCLPP plan can be amended only with approval from creditors and the court.

OCLPP is not approved by the court if creditors do not approve the OCLPP plan or the OCLPP plan does not comply with legal requirements (if 2nd unsuccessful attempt during one year, the court initiates the debtor's insolvency).

Approval of the OCLPP plan and effect of its implementation:

- 1) compulsory execution is suspended;
- 2) creditors are prohibited to file an application to initiate the debtor's insolvency proceedings;
- 3) liquidation of the debtor is prohibited;
- 4) accumulation of contractual penalties, late payments and delayed tax claims are stayed;
- 5) accumulation of interest exceeding interest set by law is stayed;
- 6) secured creditors may not use their rights in relation to the property indicated in the OCLPP plan until termination of the OCLPP.

Preconditions for starting an OCLPP:

- 1) no liquidation initiated against the debtor;
- 2) in the previous 5 years, no implementation of debtor's legal protection proceedings (LPP)/OCLPP successfully completed by the debtor;
- 3) in the previous 4 months, no debtor's LPP has been terminated due to lack of creditors' support or due to noncompliance of the plan with legal requirements.

Insolvency Register (IR) has public credibility.

The OCLPP plan should indicate:

- 1) liabilities, including payments to related enterprises;
 - 2) schedule for payment settlement;
 - 3) prognoses of planned income and expenses;
 - 4) OCLPP methods;
 - 5) list of property needed during the OCLPP;
 - 6) payment to secured creditors;
 - 7) OCLPP term;
 - 8) transaction types that can be performed without coordination with the administrator;
 - 9) grounds proving that creditors who did not approve the OCLPP plan would benefit more than in case of insolvency.
- The OCLPP plan can include advantages to providers of funding.
Cash flow prognoses are attached to the OCLPP plan.

OCLPP methods:

- 1) staying payment settlement;
- 2) alienation, encumbrance of property;
- 3) increase of share capital, incl., replacing claims with shares;
- 4) reorganisation;
- 5) other methods complying with the OCLPP aim.

Decrease of payments is possible only by a proportionate

decrease within the group of creditors for each type of claim (principal claim, contractual penalties or interest).

Tax administration and employee claims cannot be decreased without their consent.

Set-off is possible if claims existed at least 3 months before initiation of the OCLPP case.

Debtor's obligations during the OCLPP:

- 1) to perform the plan and notify the administrator about performance of the LPP plan, to ensure business activities + documents are open for inspection;
- 2) to use profit for implementation of the OCLPP;
- 3) to cover OCLPP costs;
- 4) to immediately notify the administrator stating if and why the debtor will not be able to perform the OCLPP plan;
- 5) to notify the administrator of changes to the legal address;
- 6) to notify the administrator about significant events in the debtor's activities.

During implementation of the OCLPP the debtor may not:

- 1) enter into transactions or perform activities that can worsen its financial situation or harm creditors' interests;
- 2) issue loans or credits;
- 3) issue sureties, grant, donate, pay bonuses;
- 4) alienate or encumber real estate;
- 5) pay dividends;
- 6) make payments not indicated the plan except if less than 2% of total of creditors' claims and the administrator approves.

Debtor applies to terminate the OCLPP

if he has successfully fulfilled the OCLPP plan

if he cannot fulfil the OCLPP plan

Administrator applies to terminate the OCLPP

if the debtor has not performed acts specified by law or has provided false information

if the debtor fails to fulfil the OCLPP plan for 30 days and has not filed amendments with the court

if the debtor violates limitations on specified activity