

OUT-OF-COURT LEGAL PROTECTION PROCEEDINGS (OCLPP)

under law in force as at 11.12.2019

- 1) Debtor prepares OCLPP plan & obtains approval from creditors:
 - more than 50% non-secured creditors (total of principal claims);
 - at least 2/3 secured creditors (total of principal claims).

Who may not vote (on approval 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 aforementioned persons within the previous 2 years.

- 2) Debtor and creditors agree on supervisor's candidate during OCLPP.
- 3) Debtor receives supervisor's report on OCLPP plan.

Debtor files OCLPP application & approved OCLPP plan + supervisor's report with the court. Meanwhile OCLPP plan is sent to creditors who have not approved the plan.

Judge decides on initiation of OCLPP case not later than on the next day.

OCLPP case is initiated & entry made in the IR.

Refusal to start OCLPP case.

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

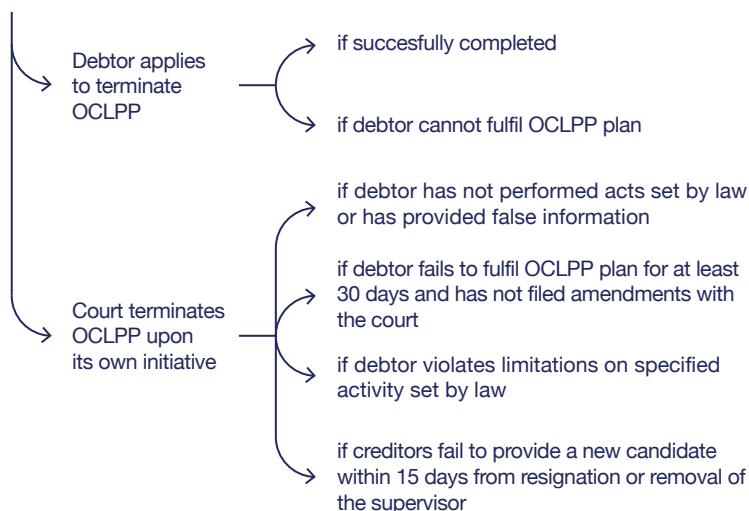
Court decides on implementing the OCLPP, approves OCLPP plan + appoints supervisor. Maximum length of OCLPP is 2+2 years. After approval by the court, the OCLPP plan binds all creditors including those who did not approve it.

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).

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

Approval of OCLPP plan and effect of implementation:

- 1) suspension of compulsory enforcement against debtor;
- 2) creditors cannot apply to initiate debtor's insolvency proceedings;
- 3) liquidation of the debtor is prohibited;
- 4) stay on accumulation of contractual penalties, late payments + delayed tax claims;
- 5) stay on accumulation of interest exceeding interest set by law;
- 6) secured creditors cannot claim sale of pledged property (if this significantly harms creditor's interests, then - if secured creditor applies - a court can permit sale of pledged property).



Preconditions for starting an OCLPP:

- 1) no liquidation initiated against the debtor;
- 2) in the previous 5 years, no debtor's legal protection proceedings (LPP)/OCLPP successfully completed by debtor;
- 3) in the previous 4 months, no debtor's LPP/OCLPP 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 to related enterprises;
 - 2) schedule for settlement of claims;
 - 3) prognoses of planned income and expenses;
 - 4) OCLPP methods;
 - 5) list of property needed during OCLPP;
 - 6) pledged compensations to secured creditors;
 - 7) OCLPP term;
 - 8) transaction types that need not be coordinated with supervisor;
 - 9) debtor's existing and planned types of economic activity
 - 10) procedure for notifying creditors of debtor's economic results in the OCLPP;
 - 11) grounds proving that creditors who did not approve the OCLPP plan would benefit more than in the case of insolvency.
- The plan can advantage providers of funding(fresh money). Cash flow prognoses are attached to the OCLPP plan.

OCLPP methods:

- 1) postponement of payment obligations;
- 2) disposal or encumbrance of property;
- 3) increase of share capital, incl. debt-to-equity swap;
- 4) reorganisation;
- 5) other methods complying with OCLPP aim.

Reduction of claims is only possible pro rata within each group of creditors (secured/unsecured) for each type of claim (principal claim, contractual penalty or interest).

Reduction of claims by employee only allowed with their consent.

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

Debtor's obligations during OCLPP:

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

During implementation of the OCLPP the debtor must not:

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