

COMPOSITION PROPOSALS OF ACTION S.A. IN RESTRUCTURING

These composition proposals (the “**Composition Proposals**”) were prepared on 21 September 2018 by Action S.A. in restructuring with its registered office in Zamienie, KRS No. 0000214038 (the “**Company**”, “**Action**” or the “**Debtor**”), in the Company's sanation proceedings conducted by the District Court for the capital city of Warsaw in Warsaw, X Economic Division for bankruptcy and restructuring proceedings, under File ref. X GRs 8/16 (the “**Sanation Proceedings**”).

1. GENERAL PROVISIONS

- 1.1.** Pursuant to Article 161 para. 1 of the Act of 15 May 2015 – the Restructuring Law (consolidated text: J. of Laws of 2017, item 1508, hereinafter: the “**RL**”), claims covered by the Composition Agreement shall be satisfied by the Debtor within a group to which a given Creditor belongs (the “**Group**”).
- 1.2.** The Composition Proposals provide for the division of the Creditors into five Groups:
 - 1.2.1. Group I – Main Group:** includes all Creditors, both private and public, which are entitled to claims covered by the Composition Agreement by operation of law or based on the consent of the Creditor, including such Creditors whose claims are, according to the Act, covered by the Composition Agreement, and the existence or amount of which will be confirmed following the approval of the List of Claims, excluding Group II, Group III, Group IV and Group V Creditors, on the proviso that the Creditors in this Group may not be satisfied with the amounts lower than 50,000 PLN;
 - 1.2.2. Group II – Small Creditors:** includes the Creditors which are entitled to claims covered by the Composition Agreement by operation of law or based on the consent of the Creditor, the sum of which does not exceed 50,000 PLN at the date of opening the Sanation Proceedings, excluding Group V Creditors;
 - 1.2.3. Group III – the Creditors referred to in Article 160 para. 1 of the Restructuring Law:** includes the Creditors towards which the Company has the liabilities referred to in Article 160 para. 1 of the Restructuring Law;
 - 1.2.4. Group IV – Cooperating Commercial Creditors:** includes the Creditors which are entitled to claims covered by the Composition Agreement by operation of law or based on the consent of the Creditor, excluding Group II Creditors and claims related to debt financing described in Group V, which, after the opening of the Sanation Proceedings, up to the date of submission by the Company of the Composition Proposals with the Court, cooperated with the Company and provided commercial support thereto (hereinafter referred to as “**Support**”) (as confirmed by relevant accounting documents issued by the Creditor or the Company and recorded in the Company's accounting books) in the form of cash benefits, supplementing the sales contract concluded with a given Creditor, in the form of:
 - a) a reduction in the price of products in relation to the price agreed in the sales contract, unless the reduction was due to a defective nature of the products concerned; or

b) granting remuneration to the Company – in the amount independent of the price of specific products – based on the Company's trade performance at the level specified by the parties to the contract, or performance of activities related to the promotion of the products that are the subject to the parties' cooperation, regardless of whether the remuneration was settled at the conclusion of the sale contract or thereafter, i.e. following the determination of the actual performance in the adopted settlement period, on the proviso that the Creditors in this Group may not be satisfied with the amounts lower than 50,000 PLN;

- 1.2.5. Group V – Financial Creditors:** includes the Creditors which are entitled to claims covered by the Composition Agreement by operation of law or based on the consent of the Creditor, related to debt financing (but unrelated to commercial cooperation referred to in the description of Group IV), understood as financing resulting from the issue of bonds, granting borrowings or loans or realisation of legal collateral (such as sureties or guarantees granted by the Company), granted in the period before the opening of the Sanation Proceedings at the Company, or to the entities for which the Company was a parent company within the meaning of Article 4 § 1 item 4 of the Code of Commercial Companies, or a related party within the meaning of Article 4 § 1 item 5 of the Code of Commercial Companies, if the Company is liable for the obligations of such entities on the basis of a specific legal relationship.
- 1.3.** One Creditor with multiple claims can be classified to several different Groups, depending on the type of its claims and the Group classification criteria.
- 1.4.** An incoming Creditor (the “**Incoming Creditor**”) which, after accepting or approving the Composition Agreement, enters in the place of another Creditor which was included in the approved List of Claims (the “**Outgoing Creditor**”) and will be classified to the Group of the Outgoing Creditor, irrespective of a legal basis of entry by the Incoming Creditor in the place of the Outgoing Creditor. In particular, the Incoming Creditor which conducts insurance business may be included in Group IV, as regards the claims acquired from the Outgoing Creditor being a member of that Group.
- 1.5.** In order to secure the claims of Group I and Group IV Creditors, the purpose of which is to finance the same purpose, i.e. the maintenance of the Company enterprise, while satisfying the claims of its creditors to the highest extent, the following is effected:
- (i) on the Debtor's properties located in Zamienie, at ul. Dawidowska 10, 05-500 Zamienie: (i) consisting of land plots with ref. Nos. 3, 80/1, 82, 83, 88/1, 89/1 and 81, for which the District Court in Piaseczno, IV Division of Land and Mortgage Registers keeps Land and Mortgage Register (KW) No. WA5M/00356713/3 (the “**Burdened Property**”), and (ii) consisting of plots of land with ref. Nos. 90 and 91, for which the District Court in Piaseczno, IV Division of Land and Mortgage Registers keeps Land and Mortgage Register (KW) No. WA5M/00433184/9, being the Company's property, the collateral **in the form of a joint contractual mortgage** is established;
 - (ii) the mortgage is established until the Composition Agreement implementation date, up to the maximum security amount of 155,975,345.24 PLN;

- (iii) implementation of the Composition Agreement with reference to Group I and Group IV Creditors as an act the purpose of which is the maintenance of the Company enterprise, while satisfying the claims of these Creditors to the highest extent, is understood as the same purpose within the meaning of Article 68² para. 1 of the Act of 6 July 1982 on Land and Mortgage Registers and Mortgages (consolidated text: J. of Laws of 2017, item 1007, as amended); it is to be secured by a mortgage, the establishment of which is based on this Composition Agreement as concluded in the Sanation Proceedings;
- (iv) a function of a mortgage administrator for the mortgage established on the Debtor's property to serve as the collateral referred to above, and thus exercising the rights and obligations of the mortgagee on its own behalf, but for the account of Group I and Group IV Creditors is entrusted, under this Composition Agreement, to Kancelaria Gessel, Koziowski Spółka Komandytowa (*Gessel, Koziowski Law Firm, Limited Partnership*) with its registered office in Warsaw (KRS No. 0000217607);
- (v) the administrator declares that it agrees to the above, which it additionally confirms by written statement;
- (vi) for the performance of the function concerned, the administrator is entitled to the lump-sum remuneration of 1500 PLN net/month, for each month of its performance, to be financed by the Debtor as a cost of the proceedings.

1.6. In the case of the Creditors that submit a relevant request to the Debtor within 3 months after a valid approval of the Composition Agreement, a separate agreement will be concluded between such Creditors and Kancelaria Gessel, Koziowski Spółka Komandytowa (*Gessel, Koziowski Law Firm, Limited Partnership*) (KRS No. 0000217607), as the mortgage administrator, appointing the mortgage administrator referred to in the preceding section, to which the administrator hereby agrees. The draft of the said agreement constitutes **Annex 1** to the Composition Proposals and constitutes their integral part.

1.7. Due to the fact that a contractual mortgage has been established on the Burdened Property, as the first priority mortgage for the benefit of Bank Polska Kasa Opieki S.A. (the “**Bank's Mortgage**”), a joint contractual mortgage resulting from these Composition Proposals will be established on the Burdened Property as the second priority mortgage, after the Bank's Mortgage, and the Debtor shall, pursuant to this Composition Agreement:

- (i) cause the expiry of the Bank's Mortgage, and consequently the release of the Bank's Mortgage and its striking off from the Land and Mortgage Register kept for the Burdened Property as soon as the claims for which the Bank's Mortgage has been established are satisfied;
- (ii) dispose of the mortgage entry emptied by the Bank's Mortgage in such a way that the joint contractual mortgage resulting from these Composition Proposals is transferred to the mortgage entry emptied by the Bank's Mortgage, with the highest priority;
- (iii) submit, for this purpose, with a court competent for land and mortgage registers, a request for an entry of the claim of the secured Creditors for transferring the joint contractual mortgage resulting from these Composition Proposals to the mortgage entry emptied by the Bank's Mortgage, within 1

month from entering into the Land and Mortgage Register kept for the Burdened Property, the joint contractual mortgage resulting from these Composition Proposals.

- 1.8.** Out of the outmost legal caution, if the land and mortgage register court refuses to enter, in Land and Mortgage Registers (KW) Nos. WA5M/00356713/3 and WA5M/00433184/9, the mortgage established on the conditions set out in section 1.5 and 1.6. above, then, within one month after the date when a decision on refusal to enter the mortgage becomes final, the Debtor shall submit a declaration (in the form of a notarial deed) on establishing joint contractual mortgages on the Company's real properties included in Land and Mortgage Registers (KW) Nos. WA5M/00356713/3 and WA5M/00433184/9 for the benefit of each of the Creditors that have submitted a relevant request in accordance with section 1.6 above in order to separately secure the claims of each such Creditor up to the amount of their respective pari-passu claims under this Composition Agreement. To the mortgage established in the manner specified above, the provisions of section 1.7. shall apply accordingly.
- 1.9.** What is more, in order to secure the claims of Group I and Group IV Creditors, the Company establishes, until the Composition Agreement implementation date, the collateral in the form of a registered pledge, up to the maximum security amount of 155,975,345.24 PLN (in respect of each item covered by the registered pledge, as listed below), on:
- 1) the equipment owned by the Company, i.e. the equipment of warehouse systems constituting movables or a collection of movables in the form of a set of devices that make up a system of automatic transport conveyors for goods, entered into the Company's register of fixed assets under the number 935/2009/UTECH, located in the Debtor's warehouse "Hall 1 and Hall 2A", at ul. Dawidowska 10, Zamienie, 05-500 Piaseczno, with the value determined based on the Debtor's accounting records, amounting to 5,918,497.21 PLN as of 30 June 2018;
 - 2) the Company's rights under the registration of the following trademarks:
 - a) the word and figurative device: "HUSSAR ACTINA", exclusive right No.: 017444563, registered with: the European Union Intellectual Property Office, filing date: 08.11.2017
 - b) the word and figurative device "ACTINA", exclusive right No.: 012663944, registered with: the European Union Intellectual Property Office, filing date: 05.03.2014
 - c) the word and figurative device "ACTINA", exclusive right No.: 201244, registered with: the Patent Office of the Republic of Poland, filing date: 09.06.2006
 - d) the word and figurative device "ACTINA SOLAR", exclusive right No.: 014817498, registered with: the European Union Intellectual Property Office, filing date: 20.11.2015
 - e) the word and figurative device "ACTION EU", exclusive right No.: 012803301, registered with: the European Union Intellectual Property Office, filing date: 17.04.2014

- f) the word and figurative device “Active Panda”, exclusive right No.: 015889661, registered with: the European Union Intellectual Property Office, filing date: 05.10.2016
- g) the word and figurative device “Active Panda”, exclusive right No.: 21655525, registered with: China Trademark Office, filing date: 24.10.2016
- h) the word and figurative device “Active&Food”, exclusive right No.: 015337926, registered with: the European Union Intellectual Property, filing date: 15.04.2016
- i) the word device “ACTIVEJET”, exclusive right No.: 007605728, registered with: the European Union Intellectual Property Office, filing date: 12.02.2009
- j) the word device “ACTIVEJET”, exclusive right No.: 005790332, registered with: the European Union Intellectual Property Office, filing date: 15.03.2007
- k) the word device “ACTIVEJET”, exclusive right No.: 229101, registered with: the Patent Office of the Republic of Poland, filing date: 28.07.2009
- l) the word device “PENTAGRAM”, exclusive right No.: 009410143, registered with: the European Union Intellectual Property Office, filing date: 29.09.2010
- m) the word device “PENTAGRAM”, exclusive right No.: 224699, registered with: the Patent Office of the Republic of Poland, filing date: 15.12.2008
- n) the word and figurative device “PENTAGRAM THE PERFECT SIMPLICITY”, exclusive right No. 161246, registered with: the Patent Office of the Republic of Poland, filing date: 28.03.2003
- o) the word and figurative device “PENTAGRAM THE PERFECT SIMPLICITY”, exclusive right No. 011159291, registered with: the European Union Intellectual Property Office, filing date: 3.09.2012
- p) the word and figurative device “ACTIVEJET”, exclusive right No.: 934354, registered with: the Bureau of the World Intellectual Property Organisation, filing date: 28.02.2007
- q) the word and figurative device „blueanker”, exclusive right No.: 014659932, registered with: the European Union Intellectual Property Office, filing date: 09.10.2015
- r) the figurative device „blueanker”, exclusive right No.: 014659916, registered with: the European Union Intellectual Property Office, filing date: 09.10.2015
- s) the word device “Sferis”, exclusive right No.: 235657, registered with: the Patent Office of the Republic of Poland, filing date: 25.09.2008
- t) the word and figurative device “SFERIS”, exclusive right No.: 210178, registered with: the Patent Office of the Republic of Poland, filing date: 03.01.2007
- u) the word and figurative device „SFERIS”, exclusive right No.: 210179, registered with: the Patent Office of the Republic of Poland, filing date: 03.01.2007
- v) the word and figurative device “SFERIS”, exclusive right No.: 016414369, registered with: the European Union Intellectual Property Office, filing date: 28.02.2017

- w) the word and figurative device “SAM CLEAR”, exclusive right No.: 015083116, registered with: the European Union Intellectual Property Office, filing date: 05.02.2016
- x) the word device “Tuckano”, exclusive right No.: 015083215, registered with: the European Union Intellectual Property Office, filing date: 05.02.2016
- y) the word and figurative device “Tuckano”, exclusive right No.: 015083322, registered with: the European Union Intellectual Property Office, filing date: 05.02.2016
- z) the word device “ACTION”, exclusive right No.: 012455531, registered with: the European Union Intellectual Property, filing date: 09.12.2013
- aa) the word and figurative device “GRAM.PL”, exclusive right No.: 230919, registered with: the Patent Office of the Republic of Poland, filing date: 08.05.2009
- bb) the word device „ACTIS”, exclusive right No.: 241289, registered with: the Patent Office of the Republic of Poland, filing date: 02.07.2010
- cc) the word device “SFERIS SELECTRO”, exclusive right No.: 243553, registered with: the Patent Office of the Republic of Poland, filing date: 11.10.2010
- dd) the word and figurative device “A”, exclusive right No.: 118858, registered with: the Patent Office of the Republic of Poland, filing date: 05.04.1996
- ee) the word and figurative device “GREEN ACTIVE”, exclusive right No.: 275996, registered with: the Patent Office of the Republic of Poland, filing date: 15.04.2013
- ff) the word and figurative device “GREEN ACTIVE”, exclusive right No.: W01186559, registered with: the European Union Intellectual Property Office, filing date: 24.09.2013
- gg)
- hh) the word device “SFERIS OUTLET”, exclusive right No.: 246202, registered with: the Patent Office of the Republic of Poland, filing date: 15.02.2011
- ii) the word and figurative device “ACTIVE ECO”, exclusive right No.: 270476, registered with: the Patent Office of the Republic of Poland, filing date: 15.04.2013
- jj) the word device “ACTION”, exclusive right No.: 125430, registered with: the Patent Office of the Republic of Poland, filing date: 12.02.1996
- kk) the word device “TENDER”, exclusive right No.: 238820, registered with: the Patent Office of the Republic of Poland, filing date: 12.03.2010
- ll) the word device “ELEKTRONICZNY ŚWIAT”, exclusive right No.: 257004, registered with: the Patent Office of the Republic of Poland, filing date: 16.02.2012
- mm) the word device “ELEKTRONICZNYŚWIAT.PL”, exclusive right No.: 257005, registered with: the Patent Office of the Republic of Poland, filing date: 16.02.2012
- nn) the word and figurative device “ELEKTRONICZNYŚWIAT.PL
“...INTERNETOWY A JEDNAK Z DUSZĄ””, exclusive right No.: 257006, registered with: the Patent Office of the Republic of Poland, filing date: 16.02.2012

- 1.10.** As part of its operations, the Company shall have the right to decide on the use of individual trademarks listed in section 1.10, subsection 2) of the Composition Proposals in order to mark its goods or services; furthermore, if the Company decides to cease the use of any of these trademarks, it will not be required to take actions in order to extend the protection under the registration of such trademarks.
- 1.11.** Kancelaria Gessel, Koziowski Spółka Komandytowa (*Gessel, Koziowski Law Firm, Limited Partnership*) with its registered office in Warsaw (KRS No. 0000217607) is authorised to secure the claims of Group I and Group IV Creditors with a registered pledge, and to exercise the rights and perform the obligations of the pledgee on its own behalf but for the account of such Creditors (as a pledge administrator). The administrator declares that, as a Company creditor, it agrees to the above, which it additionally confirms by written statement.

2. DETAILED CONDITIONS FOR INDIVIDUAL GROUPS

2.1. Group I

- (i) The claims constituting principal amounts shall be repaid in 48.62%, on the proviso that the Creditors may not be satisfied with the amounts lower than 50,000 PLN.
- (ii) The remaining part of the claims constituting the principal amounts shall be redeemed (the claim amount shall be reduced).
- (iii) The non-redeemed part of the claims constituting the principal amounts shall be repaid in 20 quarterly instalments, payable at the end of each quarter.
- (iv) The first quarterly instalment shall be paid on the last working day of a calendar quarter following the quarter in which the decision on approval of the Composition Agreement in the Sanation Proceedings becomes final.
- (v) The claims relative to interest for the period up to the date of opening the Sanation Proceedings, as well as after that date, and all other incidentals shall be redeemed in full.

2.2. Group II

- (i) The claims constituting the principal amounts shall be satisfied by the Company in such a way that each Group II Creditor receives its entire claim in full on the last working day of a calendar quarter following the quarter in which the decision on approval of the Composition Agreement in the Sanation Proceedings becomes final.
- (ii) The claims relative to interest for the period up to the date of opening the Sanation Proceedings, as well as after that date, and all other incidentals shall be redeemed in full.

2.3. Group III

- (i) The claims constituting: the principal amounts and incidentals that have originated up to the date preceding the date of opening the Sanation Proceedings, as well as after that date and up to the repayment date (of statutory, contractual or other legal interest) shall be satisfied by the Company in such a way that each Group III Creditor receives its entire claim in full on the last working day of a calendar quarter following the quarter in which the decision on approval of the Composition Agreement in the Sanation Proceedings becomes final.

2.4. Group IV

- (i) The claims constituting principal amounts shall be repaid in 54.2%, on the proviso that the Creditors may not be satisfied with the amounts lower than 50,000 PLN.
- (ii) The remaining part of the claims constituting the principal amounts shall be redeemed (the claim amount shall be reduced).
- (iii) The non-redeemed part of the claims constituting the principal amounts shall be repaid in 20 quarterly instalments, payable at the end of each quarter.
- (iv) The first quarterly instalment shall be paid on the last working day of a calendar quarter following the quarter in which the decision on approval of the Composition Agreement in the Sanation Proceedings becomes final.
- (v) The claims relative to interest for the period up to the date of opening the Sanation Proceedings, as well as after that date, and all other incidentals shall be redeemed in full.

2.5. Group V

- (i) The claims constituting principal amounts shall be repaid in 37.86%.
- (ii) The remaining part of the claims constituting the principal amounts shall be redeemed (the claim amount shall be reduced).
- (iii) The non-redeemed part of the claims constituting the principal amounts shall be repaid in full on the last working day of a calendar quarter following the quarter in which the decision on approval of the Composition Agreement in the Sanation Proceedings becomes final.
- (iv) The claims relative to interest for the period up to the date of opening the Sanation Proceedings, as well as after that date, and all other incidentals shall be redeemed in full.

3. ADDITIONAL REPAYMENTS RELATIVE TO THE UNDULY PAID TAX

- 3.1.** If, during the performance of the Composition Agreement, a final decision, including a final decision of an administrative court is issued, based on which the Company will

be entitled to the refund of unduly paid VAT as a result of the proceedings indicated in **Annex 2** to the Composition Proposals (the “**Unduly Paid Tax**”), then the funds received by the Company as the refund of the Unduly Paid Tax, in the part which was payable under the Composition Proposals, will be allocated for a single additional payment to Group I, Group IV and Group V Creditors, together with the first quarterly instalment payable after the refund of the Unduly Paid Tax to the Company's account, subject to Article 3.4.

- 3.2.** If, during the performance of the Composition Agreement, a final decision, including a final decision of an administrative court is issued, based on which an additional VAT liability of the Company, as a result of the proceedings indicated in **Annex 2** to the Composition Proposals, is established in the amount lower than the one stated on the List of Claims (the “**Unduly Determined Tax**”), then the funds which, according to the Composition Proposals, were to be used in the future to pay the Company's VAT liability, in the part which was payable under the Composition Proposals, will be allocated for an additional payment to Group I, Group IV and Group V Creditors, starting from the first quarterly instalment after the final decision, including the final decision of the administrative court, in line with the instalment payment schedule specified for Group I Creditors, subject to Article 3.4.
- 3.3.** The additional payment under Article 3.1-3.2 (the “**Additional Payment**”) shall be divided among Group I, Group IV and Group V Creditors, according to the following allocation mechanism:

(i) Share of Group I Creditors in the Additional Payment:

Amount of claims to be paid in Group I	% share of Group I claims, as resulting from the Composition Proposals, in the total amount of claims to be paid under the Composition Agreement
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(ii) Share of Group IV Creditors in the Additional Payment:

Amount of claims to be paid in Group IV	% share of Group IV claims, as resulting from the Composition Proposals, in the total amount of claims to be paid under the Composition Agreement
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(iii) Share of Group V Creditors in the Additional Payment:

Amount of claims to be paid in Group V	% share of Group V claims, as resulting from the Composition Proposals, in the total amount of claims to be paid under the Composition Agreement
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where (A) is the sum of the numerators in Article 3.3.(i)-(iii) above, on the assumption that the amount of the outstanding claims shall be reduced by the Unduly Determined Tax.

- 3.4.** The Additional Payment provided for in Article 3.1-3.2 above shall be reduced by the success fee of the Company's advisors, agreed on the basis of separate consultancy agreements between the Company and such advisors (the “**Advisors' Remuneration**”). The Additional Repayment shall become due only after the payment of the entire Advisors' Remuneration relative to the tax proceedings concerned. If the amount of the Unduly Paid Tax or the Unduly Charged Tax is lower than the Advisors' Remuneration, the payment under this Article 3 shall not be made.
- 3.5.** The payment under Article 3 shall be made irrespective of the payment terms laid down in Article 2, and in particular shall not reduce the payment amounts that will be received by Group I, Group IV and Group V Creditors under Article 2.
- 3.6.** This Article shall apply each time in the event of a final decision, including a final decision of an administrative court on the Unduly Paid Tax or the Unduly Determined Tax.

Annex 1
Draft Agreement Establishing the Mortgage Administrator

Agreement Establishing the Mortgage Administrator

concluded on 2018 in by and between:

1. _____,
hereinafter referred to as the “Mortgage Administrator”,

and:

2. _____,
hereinafter jointly referred to as the “Creditors”, and separately as the “Creditor”, listed in the Annex to this Agreement, and which have duly signed this Agreement.

The Mortgage Administrator and the Creditors shall be hereinafter jointly referred to as the “Parties”.

Whereas:

a) on, in the Sanation Proceedings of Action S.A. in restructuring with its registered office in Zamienie (hereinafter referred to as the “Debtor”), pending before the District Court for the capital city of Warsaw in Warsaw, X Economic Division for bankruptcy and restructuring proceedings, under File ref. X GRs 8/16, the composition agreement was concluded, which was then validly approved by the decision of the above-mentioned Court issued on (the “Composition Agreement”);

b) The Composition Agreement provides for securing the claims of Group I and Group IV Creditors in the form of a joint contractual mortgage on the properties located in Zamienie, at ul. Dawidowska 10, 05-500 Zamienie: (i) consisting of plots of land with ref. Nos. 3, 80/1, 82, 83, 88/1, 89/1, 81, for which the District Court in Piaseczno, IV Division of Land and Mortgage Registers keeps the Land and Mortgage Register (KW) No. WA5M/00356713/3 and (ii) consisting of plots of land with ref. Nos. 90 and 91, for which the District Court in Piaseczno,

IV Division of Land and Mortgage Registers keeps the Land and Mortgage Register (KW) No. WA5M/00433184/9, being the Debtor's property, and also provides for the appointment of an administrator for the above-mentioned mortgage:;

c) Pursuant to section [1.6] of the Composition Agreement, the Parties have decided to conclude the following Agreement:

§ 1.

The Creditors unanimously agree to commission the Mortgage Administrator with the task of establishing a joint contractual mortgage on the Debtor's properties for which the District Court in Piaseczno, IV Division of Land and Mortgage Registers keeps the Land and Mortgage Registers (KW) Nos. WA5M/00356713/3 and WA5M/00433184/9 to secure the Creditors' claims specified in this Agreement, and entrust to it, under the terms of this Agreement and the mandatory provisions of law, a function of the administrator of the above-mentioned mortgage within the meaning of Article 682 para. 1 of the Act of 6 July 1982 on Land and Mortgage Registers and Mortgages (consolidated text: J. of Laws of 2017, item 1007, as amended, and also commission it with a task of exercising the rights and performing the obligations of the mortgagee with respect to the above-mentioned mortgage on its own behalf, but for the account of the Creditors, and the Mortgage Administrator accepts the above assignment.

§ 2.

1. The Mortgage Administrator, within 5 working days after the Debtor's request, undertakes to enter into an agreement with the Debtor, by virtue of which the mortgage specified in the preceding Article will be established, on the proviso that the agreement will not be concluded if the mortgage is established in accordance with section [1.5] of the Composition Agreement.
2. The mortgage will be established in order to secure the Creditors' claims, recognised in the approved List of Claims prepared in the Debtor's Sanation Proceedings, and then covered by the Composition Agreement concluded in the Proceedings concerned, and classified into Group I or Group IV within the meaning of the above-mentioned Composition Agreement, up to the maximum security amount, equal to the sum of claims due to the Creditors concerned, to be paid in the performance of the above-mentioned Composition Agreement, i.e. up to the amount of 155,975,345,24 PLN.
3. The mortgage shall be established for a period of five years after the day on which the decision on entry of the mortgage into the land and mortgage register becomes final or until the Composition Agreement implementation date, whichever is earlier.

§ 3.

For the avoidance of doubt, the Parties unanimously agree that the settlement of the claims referred to in § 2(2), in the amounts and on the conditions specified in the Composition Agreement, as an act the purpose of which is the maintenance of the Company enterprise, while satisfying the claims of the Creditors to the highest extent, is understood as the same purpose within the meaning of Article 682 para. 1 of the Act referred to in § 1, which shall be secured by a mortgage, the establishment of which is the Mortgage Administrator's shared obligation hereunder.

§ 4.

For the conclusion of this Agreement, as well as performing the function specified in § 1, the Mortgage Administrator shall be entitled to remuneration in the amount of

§ 5

1. Any disputes that may arise under this Agreement shall be resolved amicably by the Parties. If an amicable settlement cannot be reached, the court competent for the settlement of the dispute shall be the court competent for the registered office/place of residence of the Mortgage Administrator.
2. To issues not regulated by this Agreement, the provisions of Polish law shall apply.
3. Any amendments hereto must be in writing or otherwise shall be null and void.
4. The Agreement has been drawn up in multiple counterparts, one for the Mortgage Administrator, one for each of the Creditors and one for the land and mortgage register court.
5. This Agreement shall enter into force on the day of its signing by the Mortgage Administrator and at least two Creditors, and with respect to each subsequent Creditor joining the Agreement, on the day of its signing by a given Creditor.

Annex 2

Proceedings regarding the undue paid tax

1. Inspection proceedings instituted by the Director of the Fiscal Inspection Office (UKS) in Olsztyn. The inspection proceedings were conducted to establish the reliability of the declared tax bases and the correctness of calculating and paying the tax on goods and services for the period between 01.07.2011 and 31.01.2012. Case ref.: UKS2891/W2P1/42/140/14. Decision No. UKS2891/W2P1/42/140/14/181/025 was issued on 7.06.2016. The Company appealed against the decision to the Tax Chamber (IS) in Warsaw. In the decision dated 24.10.2016, the Director of the Tax Chamber (IS) in Warsaw upheld the decision of the Director of the Tax Inspection Office (UKS) in Olsztyn. The Company filed a complaint against the decision with the Voivodeship Administrative Court (WSA) in Warsaw. By the judgement dated 28.12.2017, issued in the case with File ref. SA/Wa 130/17, the Voivodeship Administrative Court (WSA) in Warsaw dismissed the Company's complaint. The Company filed a plea of nullity against the judgement with the Supreme Administrative Court (NSA). The plea was paid. The Company was not notified about the Court sitting date.
2. Inspection proceedings instituted by the Director of the Fiscal Inspection Office (UKS) in Warsaw. The inspection proceedings were conducted to establish the reliability of the declared tax bases and the correctness of calculating and paying the tax on goods and services for January and February 2013. Case ref.: UKS1491/W4P3/42/17/13. Decision No. UKS1491/W4P3/42/17/13/249/025 was issued on 29.06.2016. The Debtor appealed against the decision to the Tax Chamber (IS) in Warsaw. In the decision dated 14.03.2018, the Director of the Tax Chamber (IS) in Warsaw upheld the decision of the Director of the Tax Inspection Office (UKS) in Warsaw. The Company filed a complaint against the decision with the Voivodeship Administrative Court (WSA) in Warsaw. The plea was paid. The Company was not notified about the Court sitting date.

3. Inspection proceedings instituted by the Head of the Mazovian Customs and Tax Office (MUCS) in Warsaw. The inspection proceedings were conducted to establish the reliability of the declared tax bases and the correctness of calculating and paying the tax on goods and services for the period between August and December 2010. Case File ref.: 448000-CKK2-5.500.28.2017. Decision No. 448000-CKK2-5.500.28.2017.16 was issued on 4.01.2018. The Debtor appealed against the decision to the Tax Chamber (IS) in Warsaw. In the decision dated 20.04.2018, the Director of the Tax Administration Chamber (IAS) in Warsaw upheld the decision of the Head of the Mazovian Customs and Tax Office (MUCS) in Warsaw. The Company filed a complaint against the decision with the Voivodeship Administrative Court (WSA) in Warsaw. The plea was paid. The Company was not notified about the Court sitting date.

Piotr Bieliński – President of the
Management Board

Sławomir Harazin – Vice-President of the
Management Board