

**JOINT STOCK COMPANY**  
**„GROBIŅA”**

Registration No. 40003017297

Address: Lapsu Street 3, Dubeņi, Grobiņa district Latvia, LV-3438

**LEGAL PROTECTION PROCEEDINGS PLAN OF ACTION**

Dubeņos, 2016

## 1. INFORMATION ABOUT COMERCIAL COMPANY, ITS OPERATING AND MANAGEMENT CHARACTERISTICS AND CONTROL ON LPP PLAN DEVELOPING DAY

Joint stock company "Grobiņa" (hereinafter JSC "Grobina" or commercial company) is registered in the Register of Enterprises of The Republic of Latvia on 23/08/1991. The company is re-registered in the Commercial Register on 12/07/2004. Commercial company share capital amounts to LVL 500000 (EUR 711435.91) the paid-up share capital of commercial company is drawn by **LVL 500000** (EUR 711435.91).

### **Core Activities of the Commercial Company (NACE)**

- Raising of other animals (01.49, version 2.0);
- Farm animal food production (10.91, version 2.0);
- Owned or rented property rent or administration (68.20, version 2.0).

JSC "Grobiņa" core business activities are not associated with a loan or credit issuance.

**The supervisory authority of Commercial company is the Council, which, according** to the JSC "Grobiņa" statutes consist of 5 members of the Council. As a council member Silvija Neimane departed from the council member position, for the moment the JSC "Grobiņa" Council is composed of four members:

Chairman of the Council Osis Ojārs (personal code 030375-10818)

Vice Chairman of the Council Jaunsleine Argita (personal code 260975-10803)

Member of the Council Liepiņš Jānis (personal code 230879-12725)

Member of the Council Milgrāvis Ģirts (personal code 310882-11285)

**The governing body of Commercial company is the Board**, which, according to the JSC "Grobiņa" statutes consists of three members, with the right to represent the Commercial company separately:

Chairman of the Board Gundars Jaunsleinis (personal code 190673-10848) with the right to represent the corporation separately;

Member of the Board Gunta Isajeva (personal code 280958-11900) with the right to represent the corporation separately;

Board member Sajewicz Ireneusz (personal code 800037-29407) with the right to represent the corporation separately.

### **Commercial company public issue bearer shareholders list:**

Securities ISIN code	LV0000200527
Nominal value	1 LVL
Emission type	Public bearer share issue

A commercial company got the public bearer emissions full list of shareholders, of the situation on the record date 29th of June, 2015, consists of 172 entries. JSC "Grobina" major shareholders are Mielenczuk Grezegors Robert (206,366 shares, or 42.2732% of the paid-up share capital), Argita Jaunsleine (119,923 shares, or 23.9846% of the paid-up share capital) and Gundars Jaunsleinis (128,735 shares, or 25.747% of the paid-in capital).

JSC "Grobina" for the moment employs 63 workers.

JSC "Grobina" turnover in 2014 was € 2,879,362, while in 2015 already amounted to EUR 6,220,362. JSC "Grobina" detailed financial position is characterized by an operating balance drawn up by position on 31/03/2016. as well the profit and loss account for the period from 01.01.2016. to 03.31.2016., will be sent as addition to the Legal Protection Process plan of action.

Of JSC "Grobina" unaudited 2015 review shows that the company is working for a company whose equity capital totals **EUR 2 632 113**. On the other hand, the JSC "Grobiņa" assets of **EUR 23,728,114**, while commercial real total payable to legal protection process initiating the case of **EUR 14,080,076**. Consequently, it must be established that the commercial company value of the assets exceeds the sum of creditors' claims. Consequently, the commercial business activities are long-term liquid. In addition, the non-audited annual report for 2015 (published on Nasdaqbaltic website) determined that year 2015 JSC "Grobina" has concluded with a profit of **EUR 1,223,693** (earnings per share (EPS) of EUR 2,447).

### **The most significant events of the JSC "Grobina" for Legal Protection Proceedings case initiation**

- A commercial company since 2014 has significantly expanded its business activities, including, without existing fur farms at Grobina municipality, Grobina district, Lapsu Street 3 - at the beginning of 2014 has put into operation a new automated fur farm at Vergales parish, Pāvilosta district, "Ceļmalnieki" whose construction was started in spring 2013.

- While at the beginning of 2015, were put into operation a new fur animal feed production plant in Liepāja, Brīvības street 119A. Fur animal feed kitchen construction was scheduled at the same time with automated fur farms construction at Vergales parish to ensure with feed fur animals at new and Aleutian disease-free fur breeding farm, the feed kitchen capacity also provides the finished feed for fur animals realization for other farms, thus developing a new business direction - finished fur animal feed sales,

- The above-mentioned projects realization JSC "Grobina" originally planned to finance from the part of the loan, taken from credit institution and from part of the JSC "Grobina" profit in 2014 (which was planned on basis of the previous year, the company's financial performance and fur sales prices on the world markets).

- Unfortunately, in 2014 the world market occurred dramatic fall in fur sales price as result in 2014 was sold 94 849 mink fur skins of minks at an average sales price of € 40.18 / pcs., Although in 2013 were sold 58,112 mink skins at the average sales price of € 64.05 / pcs. Although public mink average sales price of Finnish mink auction house exceeded the average sales price, JSC "Grobina" products were sold below first cost, as a result, in 2014 the company made a loss of EUR 1,657,441.

- In 2015 the JSC "Grobina" management was actively working with existing partners suppliers / unsecured creditors and the largest secured creditor AS "Citadele banka" at the 2014 accrued liabilities restructuring and payment deferral.

- In 2015 fur sales markets showed positive trends in the world and showed that it has recovered after the 2014 fall in prices, because the world's fur auction houses sales average price compared to 2014 was increased by 40% and exceeded the fur breeders skin cost. As a result, JSC "Grobina" in 2015 realized a total of 113,521 mink skins at an average price of 40.18 EUR / pcs, so in 2015 making profit of 1,223,693 euros per year. Profits earned in 2015 were ensured by the successful completion of the restructuring process with JSC Citadele banka, covering both AS Citadele bank and part suppliers in the previous season accumulated debts.

- While the fur market in 2015 showed a positive trend, but the price still did not reach the expected level of 26% short of the average prices which were the industry pre-crisis years (2012, 2013 average JSC "Grobina" product sales, the average price was 54 70 EUR per mink skin). Since 2014 accumulated unsecured payables to suppliers - JSC "Grobina" was unable to cover in 2015, JSC "Grobina" debts had planned to carry out of 2016 auction revenue, when implemented sale in season 2015, acquired mink skins (a total of approximately 130 000).

- In March 2016 held an auction of Finland Saga Furs auction house, held a dramatic fall in prices, as compared to March 2015 the average auction price of **EUR 48.44** - March 2016 auction, the average price fell by 54% and amounted to **EUR 22.30**. (JSC "Grobina" mink average sales price was slightly higher - EUR 23.60). Since March 2016 at the auction was sold an important JSC "Grobina" produced skin amount ~ **78,300** skins - JSC "Grobina" planned cash flow from auction revenues **lagged behind by about 2 million EUR**. As the result of these developments the company is currently unable to meet in full its obligations towards its creditors

## **2. ALL THE DEBTOR PAYMENT OBLIGATIONS AND BASIS INCLUDING ITS DEBTOR PAYMENT OBLIGATIONS OF A REFUND OR LIMIT OCCURRED BEFORE LEGAL PROTECTION PROCEEDINGS INITIATION OR WILL OCCUR IN TIME OF LEGAL PROTECTION PROCEEDINGS**

JSC "Grobina" total payment obligations amount are **EUR 14,088,393**, including the obligations arising from the adjacent claims of **EUR 51 054**, and is comprised of:

- Amounts owed to secured creditors of **EUR 7,475,460**;

- Amounts owed to unsecured creditors of **EUR 6,612,933**.

JSC "Grobina" commitment, their substantiation and deadlines specified in the legal protection proceedings plan of action in *Attachment No. 1*.

JSC "Grobina" is not due to related companies of the Corporate Income Tax Law meaning.

According to the Insolvency Law Section 40, Part 4, Clause 2, JSC "Grobina" indicates that all of the JSC "Grobina" total commitment sum, whose repayment or completion has occurred before Legal Protection Proceedings initiation is **EUR 3,075,743** and whose repayment or deadline will accrue in the time of Legal Protection Proceedings is **EUR 138 818**.

JSC "Grobina" payment obligations to the secured creditors listed in the legal protection proceedings plan of action *Attachment No. 2*, while - against the unsecured in the Legal Protection Proceedings plan of action *Attachment No. 3*.

JSC "Grobina" obligations for which creditors have taken legal action to court and for which the commercial company given guarantees indicating in the Legal Protection Proceedings plan of action in *Attachment No. 6*.

JSC "Grobina" is also available third parties i.e. Leasing companies Leasing DnB, Nordea Finance Latvia Ltd. and UniCredit Leasing Ltd. owned property for which payment concluded the financial leasing contracts. These items composition and lease payment obligations amount specified in the Legal Protection Proceedings plan of action *Attachment No.5*. As the Insolvency Law is enshrined in Section 6, prior to the process (including the LPP) start-up acquired rights principle - legal protection proceedings are met prior to the start of the acquired rights of creditors. Thus, the leasing object as well after the legal protection proceedings implementation declaration is regarded as the third party's property and not part of the JSC "Grobina" property of the composition, of the commercial companies can freely dispose in time of legal protection proceedings. In view of that, as all leasing objects have production facilities or production equipment required to ensure that is the need for legal protection proceedings implementation - JSC "Grobina" liabilities to leasing companies in the legal protection proceedings time will be charged to concluded leasing agreements and includes charges, except SIA UniCredit Leasing and AS DnB Leasing. As to the legal protection proceedings prosecution moment, SIA UniCredit Leasing due to delays in payment were terminated concluded leasing agreements. JSC "Grobina" management is now reconciled the issue with the company SIA UniCredit Leasing on the modification or the term of the renewal, provided the lease payment schedule as currently specified legal protection proceedings plan of action in the *Attachment No.5*.

By contrast, with regard to AS DnB Leasing - the leasing company will be tuned changes to the existing 2-year payment schedule to its extended the approximately 1 year in determining the lease payment schedule as currently specified in the legal protection proceedings plan of action *Attachment No.5*. In cases where the SIA UniCredit Leasing and AS DnB Leasing following schedules will be aligned - the leasing company will express its acceptance by issuing a relevant written certification.

### **3. DEBTOR OBLIGATIONS TO NON-PAYMENT OBLIGATIONS BUT RESULT OF WHOSE CHANGES DEBTORS' ASSETS COMPOSITION**

In accordance with the Insolvency Law Section 40, Part 4, Clause 3, specified, the JSC "Grobina" indicates that the JSC "Grobina" has no obligations other than payment obligations, but resulting in whose changes commercial company asset composition.

### **4. THE DEBTOR FULFILLMENT OF PAYMENT OBLIGATIONS SCHEDULE FOR EACH CREDITOR WHOSE REFUND OR LIMIT OCCURRED BEFORE LEGAL PROTECTION PROCEEDINGS OF INITIATION OR WILL OCCURE IN TIME OF LEGAL PROTECTION PROCEEDINGS**

According to the Insolvency Law Section 40, Part 4, Clause 4, and the Insolvency Law Section 38, Part 2, the JSC "Grobina" in time of legal protection proceedings plans to make settlements with creditors (including those with those, whose payment term was come on 06.04.2016. ) for a total of **EUR 5,302,568**, including secured creditors (including SRS secured part of the debt) and payments to leasing companies of **EUR 3,051,255** amount of up to **EUR 2,005,316** of unsecured creditors and taxes, an uncovered part amounts of the **EUR 245 997**. Those sums do not include payments for staff salaries and pre-settlement parties.

The debtor fulfillment of payment obligations schedule for each creditor whose refund or limit occurred before legal protection proceedings of initiation or will occur in time of legal protection proceeding specified in the Legal Protection Proceedings plan of action in *Attachment No. 2., No. 3 and No. 4*.

### **5. EXPECTED TOTAL REVENUE OF DEBTOR REMEDIES DURING THE LEGAL PROTECTION PROCEEDINGS AND THE EXPECTED REVENUE AND FORECASTS JUSTIFICATION**

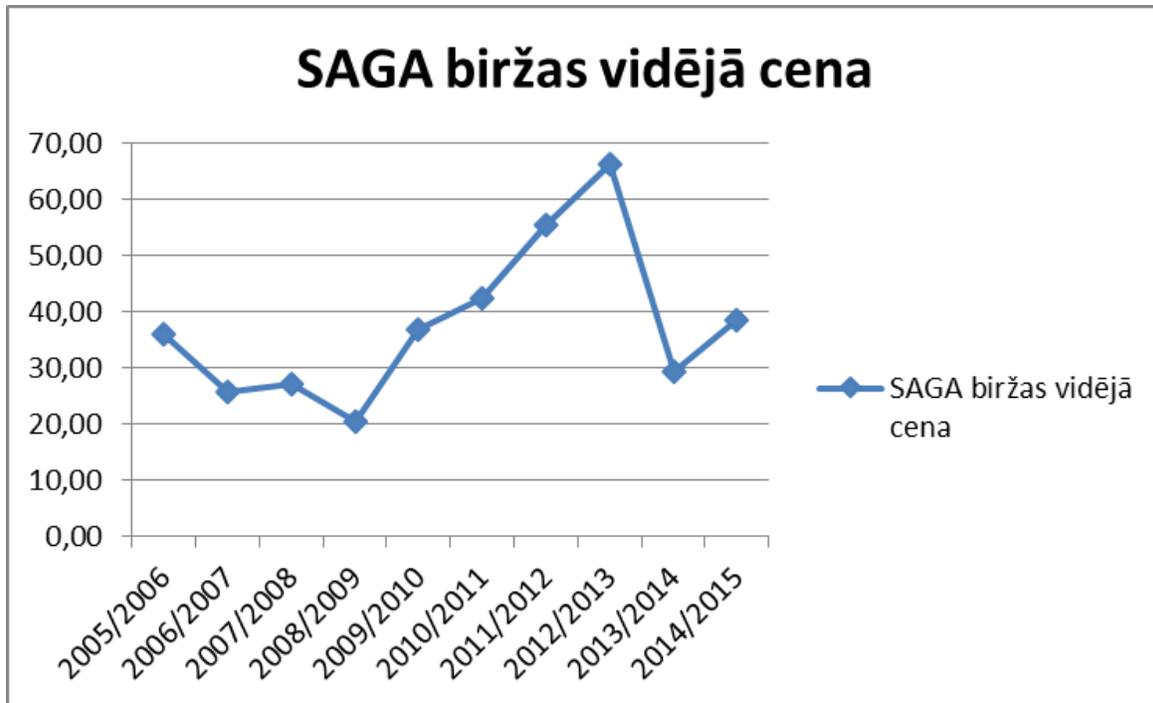
The JSC "Grobina" planned total revenue during the LPP totals EUR 11,066,225, including the fur auctions realized EUR 9,907,973 and of finished fur animal feed sales of EUR 984,179, subsidies for breeding animals of EUR 53 072 and the assets of the lease, etc.. EUR 121 000. Revenue during Legal protection

proceedings reflected in the statement of cash flow projections - Legal protection proceedings plan of action Attachment No. 8.

## 6. EXPECTED REVENUE FORECASTS JUSTIFICATION

The JSC "Grobiņa" planned revenue is income from the auction produced and fur pursuing, as well as income from sales of finished feed for fur animals for other fur farms in Republic of Latvia and Lithuania. JSC "Grobiņa" all produced production (mink skins) plans to sell in auctions in amount of 100% in Finland Saga Furs auction house. Fur animal prices and the fall in world markets is cyclical. This is evidenced by the Finnish auction house Saga Furs statistics collected from the average auction prices of mink skins over the years since 2005. See Table No. 1 below.

Table No.1



Until 2011 the JSC "Grobiņa" was based on the so-called long-haired mink breeding whose fur products every year lost its position in relation to the short-haired mink fur. Until the end of 2011 was fully culled all existing farm animals (including breeding animals) and integrated "Duben" farm spring cleaning and disinfection. In April 2012 the most advanced Eastern animal farm ("Bono Fur Farms" - Poland) JSC "Grobiņa" bought top quality breeding herd (22 000 Nordic short-haired mink gestating females). **As a result, from 2012 the JSC "Grobiņa" realized mink skins in auction, average price rose sharply (See below table No. 2), amounting to an average auction sales price.** By contrast, in 2014 the new Vergales fur farms acquired skin quality has been steadily showing even higher results every year by about 5% higher than the Finnish auction house average selling prices.

Table No.2

	2005/2006	2006/2007	2007/2008	2008/2009	2009/2010	2010/2011	2011/2012	2012/2013	2013/2014	2014/2015	2015/2016
SAGA biržas vidējā cena	36,10	25,70	27,20	20,40	36,80	42,40	55,40	66,40	29,30	38,60	22,3
Grobiņa vidējā cena Dubeņu ferma	24,89	19,1	20,43	14,08	23,42	30,26	40,48	67,18	28,68	32,9	20,99
Grobiņa vidējā cena Vērgales ferma										39,72	23,6

JSC "Grobiņa" management during Legal protection Proceedings plan of action in the attached cash flow forecasting the JSC "Grobiņa" average price of mink skins on 2016/2017 breeding season resulting mink skins of **EUR 30** for the skin, but the 2017/2018 breeding season resulting mink skins of **EUR 40** per skin, a constant production of mink amount of 130 00 skins per year (similar to the 2015/2016 breeding season) and, consequently with that the planned income on 2017 and 2018 considering the following factors:

- In view of the dramatic fall of the fur market prices - the world's fur breeders this year by 40% has reduced its production by culling breeding herd as a result of next season total fur market is expected significant reduction of production offer ;
- Table No. 1 indicated the 10-year fur sales price of market statistics and the average price cyclicity.

In addition to the JSC "Grobiņa" revenue produces a finished fur animal feed sales revenue. There is already a commercial company management is actively working on attracting new clients, signing contracts for the supply of finished feed for fur animals for fur farms in the Baltic region.

Concluded contracts provide that the finished fur animal feed deliveries will start in the month of June 2016. Taking into account the above mentioned JSC "Grobiņa" management revenue projections from both the fur animal feed sales and fur sales are set taking into account the precautionary principle.

## **7. PLANNED DEBTOR EXPENSES TOTAL DURING LEGAL PROTECTION PROCEEDINGS AND PLANNED EXPENDITURE FORECASTS JUSTIFICATION**

According to the Insolvency Law, Section 4, Part 40, Clause 6, the JSC "Grobiņa" indicates that during the Legal protection proceedings the JSC "Grobiņa" anticipates expenditure amount of **EUR 11,059,113** (see legal protection proceedings plan of action *Attachment No. 8*).

A commercial expenses include:

- 1) JSC "Grobiņa" Legal Protection Proceedings operational production cost of **EUR 5 756 545**;
- 2) The funds to cover the claims of creditors, leasing, bank and auction house and the interest payments of **EUR 5,295,550**.

The JSC "Grobiņa" costs of legal protection is divided into the following categories according to the nature of finding:

- **Production expenses**, including medicines for fur animals, raw materials for feed production, salaries and taxes on salaries (SSC risk fee), electricity, heating oil, scobs for farms, fuel for transport (tractors, minkomates), current repairs, insurance costs;
- **Selling expenses** - fees for Saga Furs auction house;
- **Administrative expenses**, including communications costs, office maintenance costs, salary administration, transport costs, travel expenses, membership fees, legal services and legal protection administrator appointed indemnity;
- **Other operating expenses** - payments for association,
- **Leasing contracts, loan agreements and Saga Furs advance payments.**

In Legal protection proceedings, the planned revenue - spending plan and the cost of the legal protection proceedings specified on the Legal protection proceedings Plan of action *Attachment No. 8*.

## **8. APPLICABLE METHODS AND REASONING DURING LEGAL PROTECTION PROCEEDINGS AND SELECTED METHODS OF THE NEED TO ENSURE THE LEGAL PROTECTION PROCEEDINGS PLAN OF ACTION IMPLEMENTATION**

According to the Insolvency Law Section 38, Part 1, One or several methods shall be applied in legal protection proceedings .Based on the Insolvency Law Section 40. Part 4. Clause 7. stating that in order to cover the JSC "Grobiņa" creditors' claims, according to the planned JSC "Grobiņa" cash flow in order to achieve legal protection proceedings plan of action, apply the following methods:

### **8.1. The postponement of the honouring of payment obligations** (Insolvency Law Section 38. Part 1. Clause1.)

According with the mentioned method, during the whole process of Legal protection proceedings is planned:

- **Defer and split payment of the total obligation to the commercial company secured creditors in accordance with the Legal Protection Proceedings plan of action Attachment No. 2 specified payment schedule.**
- **Defer all principal payments of commercial company obligations to unsecured creditors, which on 04.06.2016. was out of the payment deadline, to the legal protection proceedings has been completed - on June, 2018** in accordance with the legal protection proceedings plan of action Attachment No.3 when forecasted substantial mink skin sales price growth in world markets compared

to the 2015/2016 breeding season, and given that the 2018 March and June auctions will be sold at approximately 80% from 2017. JSC "Grobina" production upon receipt of the corresponding revenue After Legal Protection Proceedings termination payments to secured and unsecured creditors expected to continue in accordance with the mutual agreement rules and the schedules for payments.

**8.2. Chattels encumbering right i.e. Pledge to the JSC "Grobina" stocks and registered animals (livestock Nr.LV0247247)** with a view to ensuring the Legal Protection Proceedings plan of action provided the auction house issued advance payments for the JSC "Grobina" kit advance and / or skin advance payments for the delivered skins (*Insolvency Law Section 38, Part 1. Clause 2. and the LPP plan of action Part 14.*).

**8.3. Proportional principal penalty or interest cancellation or reduction** (*Insolvency Law Section 38. Part 2*).

According to that method, during the whole Legal protection proceedings is planned to:

- The unsecured creditors of the group provide collateral claims (interest and penalties) Extinguishing
- The secured creditors group to provide a penalty, late charges or interest on arrears Extinguishing

**8.4. Tax claims by the State Revenue Service, or with the agreement of the municipality of legal protection proceedings, provided:**

- the division of the repayment of the basic debt into time periods, the extension of the time period or the postponement of the time period for a period exceeding six months;
- all tax arrears imposed penalty of suspension of payment claims cancellation against the State Revenue Service, the Liepaja City Council and Grobina District Council
- the division of regular payments of debt into time periods, the extension of time periods or the postponement for a period of time which it is necessary to stabilize the JSC "Grobina" cash flow and current use of funds for production purposes.

(*Insolvency Law Section 38. Part 5.*).

Within JSC "Grobina" Legal Protection Proceedings does not provide:

- JSC "Grobina" property alienation or encumbering rights with a view to achieve the claims of creditors or delay in performance of creditors' claims satisfaction;
- JSC "Grobina" increase of capital stock;
- JSC "Grobina" - reorganization.

## **9. DEBTOR EXISTING AND PLANNED CORE ACTIVITY TYPES**

During the JSC "Grobina" implementation of the LPP it is designed to maintain the current core activity types:

- Raising of other animals (01.49, version 2.0);
- Farm animal food production (10.91, version 2.0);
- Owned or rented property rent or administration (68.20, version 2.0).

## **10. LEGAL PROTECTION PROCEEDINGS IMPLEMENTATION DATE**

JSC "Grobina" Legal Protection Proceedings planned implementation period is 2 years from the date of entry into force of the court decision on the JSC "Grobina" Legal Protection Proceedings plan of action approval and the debtor Legal Protection proceedings implementation.

## **11. THE TYPES OF TRANSACTIONS WHICH A DEBTOR MAY PERFORM, WITHOUT CO-ORDINATION WITH THE ADMINISTRATOR, AND THE AMOUNT OF SUCH TRANSACTIONS**

According to the Insolvency Law Section 40, Part 4. Clause 10. the JSC "Grobina" without co-operating with the administrator and without amendments of the Legal Protection Proceedings plan has the right to do business during Legal Protection Proceedings of the total amount that not exceed 1% (one percent) of the total amount of creditors claims on the Legal Protection Proceedings plan of action approval moment. That limit does not include any transactions related to the JSC "Grobina" everyday economic activity in general and the provision is included in the cash flow of the Legal Protection Proceedings plan in *Attachment No.9*. The

commercial company is entitled to carry out transactions associated with different types of specialist services, including consultants attraction, management and / or repair. Transactions that are outside the core areas (including loans and borrowings) is aligned with the administrator.

## **12. THE PROCEDURE BY WHICH CREDITORS SHALL BE INFORMED OF THE RESULTS OF THE ACTIVITIES OF THE DEBTOR DURING THE PERIOD OF THE IMPLEMENTATION OF THE PLAN OF THE LEGAL PROTECTION PROCEEDINGS**

Based on the Insolvency Law Section 40. Part 4, Clause 11. we notice that for each creditor of JSC "Grobina", Legal Protection Proceedings plan of action, is sent by registered post to the registered address of the creditor. From now on, the legal protection of play creditors will be notified of the creditor's written request by sending the report by registered post or by a secure electronic signature of the creditors specified electronic mail address.

## **13. INFORMATION ABOUT CANDIDATE OF AN ADMINISTRATOR**

Based on the Insolvency Law Section 40, Part 4, Clause 12, stating that the JSC "Grobina" redress process administrator is a certified **administrator Marita Kataja-Paegle, certificate No. 00588**, place of practice: Strēlnieku iela 9-4, Riga, LV-1010, contact information - Tel .: 67365865, 29166256, e-mail: [maritakp@gmail.com](mailto:maritakp@gmail.com).

For the administrator does not exist in Insolvency Law Section 20, defined limits. Administrator agreed (*Attachment No. 11*) on a monthly administrative determination of compensation of 1200 euros within Legal Protection proceedings.

This commercial company Legal Protection Proceedings plan of action harmonization of creditors at the same time is also considered as an agreement and acceptance of the JSC "Grobina" redress process administrator is a certified administrator Marita Kataja-Paegle, as well as Marita Kataja-Paegle recommendation for Court of JSC "Grobina" redress process administrator.

The administrator has not participated in development of this Legal Protection Proceedings plan of action..

## **14. A LIST OF THE PLEDGED PROPERTY OF A DEBTOR WHICH IS NECESSARY FOR THE IMPLEMENTATION OF THE PLAN OF MEASURES OF THE LEGAL PROTECTION PROCEEDINGS AND TO WHICH RESTRICTIONS ARE APPLICABLE, IN ACCORDANCE WITH WHICH THE SECURED CREDITORS MAY NOT EXECUTE THEIR RIGHT IN RESPECT OF THE PROPERTY OF THE DEBTOR, WHICH SERVES AS SECURITY FOR THE CLAIMS THEREOF, UNTIL THE TERMINATION OF THE LEGAL PROTECTION PROCEEDINGS**

In accordance with the Insolvency Law Section 40, Part 4. Clause 13. stating that the JSC "Grobina" belonging pledged property, which is necessary for legal protection process action plan implementation and to the applicable limitations under which the secured creditors may not exercise its rights in relation to a commercial property which serves as security for their claims, until the termination of the legal protection proceedings is listed in *Attachment No.7*. The transfer of property, which actually includes all the assets that needed for Legal protection proceedings plan of action implementation.

During the Legal Protection Proceedings plan commercial company intends revenue from Saga Furs auction house, which annually allocates funding to the commercial company mink juveniles fattening or skin in the form of an advance, as a result, provides that all mink of commercial production will be realized in a given auction house. Based on contracts issued by certain financial reimbursement is governed at present by the Finnish auction houses Saga Furs 08.07.2014. an Agreement on the advance payment of juvenile fur and fur advance payment, the execution of which is already ensured by the first round of the pledge of commercial livestock and stocks. If the legal defense plan during the commercial company will close the new Treaty on the fur kit advances and fur advance payments to the Finnish auction houses Saga Furs or other auction houses, commercial company may conclude a new commercial agreement with the specific auction houses, providing specific auction houses with the first round of the Pledge to commercial herds and stocks.

The Legal Protection Proceedings plan of action income, the Legal Protection Proceedings plan of action costs and the Legal Protection Proceedings plan of action part of the expenditure is based on the use of the property to obtain money to cover creditors' claims. Accordingly, it is an essential requirement for the

implementation of Legal Protection Proceedings and secured creditors of legal protection proceedings fulfill our pledge rights to it.

## **15. PROTECTION OF THE INTERESTS OF NON-SECURED CREDITORS DURING LEGAL PROTECTION PROCEEDINGS**

JSC "Grobina" will make all current payments, that is payments that JSC "Grobina" must carry out in accordance with the laws and regulations or contracts after JSC "Grobina" Legal Protection Proceedings has been initiated, mentioned on agreements or regulatory enactments and deadlines in the case this Legal Protection Process action plan does not specify otherwise.

JSC "Grobina" will take all interest payments on capital usage by outstanding loan amounts according to the 29/05/2015. concluded agreements on credit obligations No.2.1.17-13 / 06-KSI1 and No.2.1.17-13 / 07-KSI1, as well as issued the kit advance and fur advance the use of interest determined in a contract concluded for the fur kit advance payments and prepayments for fur.

Creditors' claims, which the implementation deadline has already occurred or will occur during the process of legal protection, recovery procedure and terms are set out in the legal protection proceedings Plan *Attachments No. 2, No. 3, no. 4 and No. 5.*

Expenditure arising if the pledged property included in the plan of measures of legal protection proceedings is damaged or the value thereof is reduced, is the expenditure of insolvency proceedings in the amount of the value of the pledged property of the claim of the secured creditor or the reduction thereof.

According to the Insolvency Law Section 40, Part 4, Clause 14 of the conditions of any additional compensation for secured creditors of their rights restriction of legal during protection proceedings are not expected..

## **16. GROUNDS FOR LEGAL PROTECTION OF LEGAL PROTECTION PROCEEDINGS PLAN FOR CONFORMITY OF INSOLVENCY LAW SECTION 40, PART 4, CLAUSE 15**

This Legal Protection Proceeding plan of action in accordance with the Insolvency Law 40, Part 4, Clause 15 provides, that justification for the fact that the gain of the creditors not having co-ordinated the plan of measures of the legal protection proceedings, by implementing the legal protection proceedings, is at least as large as that if the insolvency proceedings of a debtor were proclaimed at the moment of the approval of such a plan.

- for all the JSC "Grobina" assets secured creditors exercise their rights and the pledgee will be covered by its application for the secured part of the full amount. According to estimates, based on observations of life in the insolvency proceedings of the sale of the assets value will amount to 25-35% of its book value, as their disposal occurs at a reduced price, with no reasonable potential buyers raising activities in order to ensure the Insolvency Law, fixed revolving speed principle. In addition, it is generally recognized that the insolvency proceedings of marketable property of the debtor is trying to get an intermediary groupings at the lowest possible price in order to sell it later for a significantly higher price, resulting in a disproportionate profits. Thus, JSC "Grobina" fit, after all the secured creditors' claims from the pledged property to be forfeited could be obtained funds, which will not cover even the secured creditors' claims. Thus, JSC "Grobina" event of the insolvency of unsecured creditors' claims will not be covered at all.

While the Commercial company Legal Protection Proceedings is planned to cover 100% of the unsecured creditors claims.

The potential of commercial company insolvency proceedings duration in order to obtain funds to satisfy creditors' claims may be substantially higher than the planned legal protection process maturity. Consequently, the legal protection proceedings is more favorable than bankruptcy because creditors will receive their outstanding claims faster.

JSC "Grobina" process will make the current tax payments, and will continue to employ its staff, as well as to fulfill current obligations to the JSC "Grobina" creditors.

## **17. RIGHTS FOR THE PERSONS WHO ALLOCATES RESOURCES TO IMPLEMENT THE LPP PLAN**

Persons who provide means for the Legal Protection Proceedings to implement the plan according to their allocated funds around, have the advantage of the funds allocated to the repayment, that is, such funds will be

repaid in the first round. Since all of commercial property has been pledged in favor of JSC "Citadele banka" - commercial company with its agreement, is entitled to establish a new commercial for the benefit of persons who provide means for the Legal Protection Proceedings plan implementation or to enter into leaseback transactions with a view in the short term to raise funds for the Legal Protection Process plan implementation. If the legal protection proceedings are terminated at the same time is declared the legal person insolvency proceedings, the benefits remain in force and of commercial claims arising from the implementation of the plan budget allocation to be considered as expenses of the insolvency proceedings.

Attachments:

1) Attachment No.1 All the JSC "Grobiņa" payment obligations and justification for the commitments, where decrypted creditors who has occurred due date on 06/04/2016. and which has't, as well who occurred after the commencement of the legal protection proceedings i.e. after 06/04/2016.;

2) Attachment No. 2 The JSC "Grobina" payment obligations to secured creditors and their payment schedule;

3) Attachment No. 3 The JSC "Grobina" payment obligations to the unsecured creditors and their payment schedule (salaries, advance payments, lease payments, taxes)

4) Attachment Nr. 4 JSC "Grobina" payment of tax payment obligations to the State Revenue Service and local governments and their payment schedule;

5) Attachment No. 5 The JSC "Grobina" payment obligations against leasing companies (including leasing object composition) and the leasing / rental payment schedule;

6) Attachment No. 6 The JSC "Grobina" obligations for which creditors have taken legal action to court and for which the commercial company given guarantees indicating in the Legal Protection Proceedings plan of action;

7) Attachment No. 7 The JSC "Grobina" belonging to the mortgaged real estate and other property list, which requires for Legal Protection Proceedings plan of action implementation and to the applicable limitations under which the secured creditors may not exercise its rights in respect of commercial property;

8) Attachment No.8 Overview of the JSC "Grobiņa" the current and future cash flow projections from 01.04.2016. until 30.06.2018;

9) Attachment No.9 – The agreement on the administrator of commercial company Legal Protection Proceedings;

10) Attachment Nr.10 – A commercial company Legal Protection Proceedings plan of action harmonization and authorization form.

***I certify that the Legal Protection Proceedings plan of action provided information is true and joined derivatives of documents correspond to the original documents.***

AS "Grobiņa"  
Chairman of the Board

Gundars Jaunsleinis

Dubēnos, 17th of May, 2016.