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Financial Services Resource Center

Warsaw, Poland

Contract Number: EPE-I—01-95-00054-00

TASK ORDER # 01

FINAL REPORT

***CRIMSON CAPITAL CORPORATION
UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT***

APRIL 1997

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Introduction

This report deals with the activities of the USAID Advisory Team for the Financial Service Resource Center ("FSRC") in Poland for the period of November 1995 to April 1997. All prior monthly, quarterly, phase and delivery order reports are included herein by reference.

Poland had been a leader in the CEE/NIS region in economic growth and reform and is one of the undisputed leaders in economic and political reform in the CEE/NIS region. Despite favorable growth statistics and forecasts, there are some areas of the economy, which if not properly addressed, could severely impact the continued expansion of the Polish economy and pace of reform. Among the most pressing issues is the restructuring and reform of the banking system as without properly trained personnel and systems, Polish financial institutions face serious difficulties.

The structure of the Polish banking system is in a constant state of flux as regulation and competition make it an increasingly complex market. Polish bankers have limited exposure to modern financial techniques. Thus, many Polish financial institutions have found it difficult to operate successfully as these institutions do not possess the experienced personnel who can develop and execute sophisticated transactions.

Overview

Crimson Capital ("Crimson") has made important contributions to economic and banking reforms in Poland through its management of the FSRC, a USAID sponsored program that was targeted to stimulate the stabilization, restructuring and capitalization of Polish private and post-privatized enterprise through successful financial intermediation of the Polish banking sector. Through its management of the FSRC, Crimson assisted seven Polish banks by training over 90 Polish bankers by working alongside them on complicated assignments and transactions. Additionally, over the 17 months of the FSRC's existence, the complexity of projects pursued by participating bankers increased significantly and in many cases, local banks were winning transaction mandates over their western competitors. With the assistance of FSRC personnel, the FSRC participated in 71 projects and transactions, which resulted in a cumulative transaction value of \$ 230 million US dollars and total project value of \$ 703 million US dollars.

Summary of activities

During phase I, financial institutions applied to the program and each was evaluated on its need for assistance in accordance with FSRC's objectives and guidelines. Banks which applied for and were admitted to the program include Bank Przemyslowo-Handlowy S A, Bank Rozwoju Eksportu S A, Bank Zachodni S A, Powszechny Bank Gospodarczy S A, Powszechny Bank Kredytowy S A, Kredyt Bank and Bank Depozytowo - Kredytowy S A. Thereafter, banks selected for participation and other USAID sponsored organizations submitted potential transactions for review and participation. FSRC personnel evaluated initially approximately 50 enterprises for potential assignments prior to commitment of operations at the banks. Submitted assignments were evaluated on each company's core business activities, recent financial history, perceived market strengths and weaknesses and appropriate contacts for selected Polish banks. Additionally, potential transactions were classified as (a) capital markets, (b) financial restructuring or (c) operational restructuring based on project characteristics. An appropriate number of transactions in each classification were chosen based on perceived benefit to submitting bank. For the first projects of the FSRC, 15 transactions/assignments were selected from those submitted. Additional transactions were added throughout the course of the project as others were completed and/or approved by USAID and FSRC management.

Summary of activities (Cont d)

Additionally, prior to completion of Phase I, a series of Basic Tools documents were created according to the terms of the Contract and the Team's understanding of financial institution and enterprise needs. These periodicals were designed to be thorough and precise guidelines that would assist participating bankers to understand the transaction processes. Additionally, Basic Tools guides were added over the course of the project and were developed to meet the on-going development of the Polish banking and capital market systems. By the closure of the FSRC, personnel completed over 20 Basic Tools documents of which hundreds of copies were distributed to senior bank managers and program participants.

Phase II of the FSRC project began on February 2, 1996 and cooperation immediately began by work on the 15 transactions mentioned previously. The initial Advisory Team consisted of 6 expatriate and 6 local professionals who were carefully selected to provide the targeted technical assistance. These professionals had extensive investment banking, commercial banking, management consulting, financial planning, legal and accounting backgrounds. All of these professionals had significant experience with transaction analysis and execution, enterprise (including financial and strategic) restructuring, asset management and real estate finance and development. In order to achieve the program's

Summary of activities (Cont d)

objectives, FSRC personnel were selected to work on transactions based on the nature of individual assignments and staff expertise. On each transaction, FSRC personnel worked extensively with employees at local banks and companies in analyzing and negotiating all terms of the transaction including deal structure, price, capital investment, employment, training, marketing, technical know-how, production and sourcing, and environmental protection. Further, FSRC consultants worked on all projects for a mutually agreed term, which in most cases was the closing of a transaction or defined completion of a project.

As the project advanced, the scope and focus of the Advisory Team's function evolved as the complexity of the transaction and assignments increased significantly. The time commitment and involvement of FSRC personnel grew significantly as local bankers and managers did not possess the skills to properly analyze and execute increasingly complex transactions. In this phase, FSRC client banks undertook new and pioneering assignments only due to FSRC assistance. The complexity of projects dramatically increased and included such projects as raising capital for the first Polish managed venture capital fund, executing the first convertible debt bond for by Polish entity, developing a commercial paper program for the major Polish bank, and arranging strategic joint ventures for companies participating

Summary of activities (Cont d)

in military conversion. Additionally, FSRC aid was provided to other USAID organizations including the OTC project, Central European Rating Agency, ACDI and Caresbac.

The FSRC stopped taking on new projects in March 1997 due to the fact the USAID had deemed the project's initial goal to have been achieved significantly in advance of its official projected completion date. The work of the FSRC improved the skills and confidence of more than 50% of the entire Polish cadre of investment bankers at the client banks. Over 9000 jobs have been created, improved or saved in Polish private companies in areas with high structural unemployment. Polish banks often asked the FSRC for assistance with their most difficult cases. The FSRC improved the prognosis of 12 companies facing forced reorganization or closure. The Polish bankers learned how to handle complex and difficult to complete transactions. As a result of the involvement of FSRC professionals these bankers closed 51 transactions (of the 71 that were chosen). The FSRC provided the skills that enabled the Polish banking system generally to place capital in Polish private companies.

Key documents

The material that is attached summarizes the results of the FSRC project and describes the roles of the Team, its accomplishments, some of the key lessons learned and applied and the impact the Team has had on the economic reform. The Appendices consist of standardized forms, contracts, procedures and guidelines that the professionals developed based on its extensive experience. The professionals have made these forms as universally applicable as possible so that they can be used as the starting point of foundation in almost any situation or country with modification for the specific situation and local laws and practices.

Polish Financial Services Resource Center

Contract Number: EPE-0005-I-00-5054-00

Summary of Activities

Undertaken By
Crimson Capital Corporation

under the Sponsorship of the
United States Agency for International Development

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A Active Transactions

- I Bank Przemyslowo-Handlowy S A**
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- V Powszechny Bank Kredytowy S A**
- VI General Activities**

ACTIVE TRANSACTIONS

I BANK PRZEMYSŁOWO-HANDLOWY

Irena Komorowska
Member of the Management Board
ul. Na Zjeździe 11
00-527 Kraków
Tel. 48 12 187 110

No projects currently active

II BANK ROZWOJU EKSPORTU SA ('BRE')
 Zenon Stomski
 Deputy Director Restructuring and Privatization Department
 Pl Bankowy 2 Warsaw
 Tel 637 2386 Fax 3912 1622

OBJECT	STAFFING	A ASSIGNMENT B OPPORTUNITIES C OBSTACLES	ACTION/PROGRESS	NEXT STEPS
<p><i>OPTIMUM</i> ccin ping zej Buchholz ctor 091 53 92 90 1995 13.7 mln PLN Trans Value 1.3 mln</p>	<p>Crimson Kania, Kersis BRE Rostworowski Warsaw Bisen and Grodecki Szczecin</p>	<p>A Project II - Capital Markets, assist company to secure equity investment</p> <p>B Company developing state-of the-art rail wagon component allowing trains dual access to Polish and Russian tracks</p> <p>C NA</p>	<ul style="list-style-type: none"> • Oct Developed investor presentation • Commenced evaluation of potential investors • November 18 Meeting with Caresbac regarding potential investment • Nov 25 - Met with company and bank management to develop financing strategy • Dec 11-13 Met separately with potential venture capital investors including BRE/Pictet Pioneer and Poland Partners • Jan 28 - BRE / Pictet meeting with company management expressed strong interest • Jan 29 - Caresbac meeting with company management expressed strong interest to complete transaction within three months • Feb 10 BRE commenced on site due diligence • Feb 14 Caresbac meeting in Szczecin 	<ul style="list-style-type: none"> • Assess follow-on projects with Optimum partner, the Poznan Railway Repair Company • Provide guidance on BRE and Caresbac negotiations

II BANK ROZWOJU EKSPORTU SA ("BRE") (Cont'd)

OBJECT	STAFFING	A ASSIGNMENT B OPPORTUNITIES C OBSTACLES	ACTION/PROGRESS	NEXT STEPS
<p><i>UPI RDROB</i> zew near Warsaw</p> <p>try and Meat casing</p> <p>1 Kostecki, VP nce 48-22 779 6031</p> <p>5 1995 87 mln PLN</p> <p>Trans Value 7 mln</p>	<p>Cumson Kania Aniol</p> <p>BRE Rostworowski</p>	<p>A Capital Markets Assist in management with valuation and search for private equity financing</p> <p>B Company is starting to prepare itself for an IPO in early 1997, which could present an additional potential FSRC project in the future</p> <p>C Company unsuccessfully negotiated equity sale in the past Owners' valuation expectations may be unrealistic, thus abating the possibility of a successful equity sale</p>	<ul style="list-style-type: none"> • Jun 7-12 Prepare a presentation on Superdrob for BRE/Pictet pre IPO fund 	<ul style="list-style-type: none"> • Mar 15 25 meet with BRI / Pictet and Credit Suisse pre IPO funds

III BANK ZACHODNI

Grazyna Niewolik
Deputy President
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50 590 Wroclaw

Tel 071 44 54 11 Fax 071-328 83

OBJECT	STAFFING	A ASSIGNMENT B OPPORTUNITIES C OBSTACLES	ACTION/PROGRESS	NEXT STEPS
<p>OMBINAT PZL ORAL SA Wroclaw</p> <p>Manufacturer of compressors and pumps</p> <p>Works under Hydral ident 071 251 834 071 252-565</p> <p>52.8 mln PLN</p> <p>Box Trans Value mln PLN</p>	<p>Cimson Kania Michalski Walkiewicz</p> <p>BZ Niewolik</p>	<p>A Capital Markets - Assist in determining feasibility of a joint venture with Tecumseh Products Co for the production of refrigeration compressors</p> <p>B Major U S company interested in joint venture with the company</p> <p>C Tecumseh has requested certain information necessary to their evaluation to the joint venture which Hydral is hesitant to provide</p>	<ul style="list-style-type: none"> • Feb 9 - Information on the FSRC sent to Tecumseh Products Co • Feb 29 Confidentiality letter sent to Hydral • March 8 - Met with management to discuss project and tour facilities • March 26 - Submitted RFA • June 26 - Met with Tecumseh and Hydral to discuss action plan • August - Completed study on Polish refrigerator market potential • Sept 30 - Met with company officials to develop on going strategy and coordinate information • Oct 14 - Met with management to begin preparing needed information • Nov 17 - Met with management to develop project strategy Status Recommended 	<ul style="list-style-type: none"> • Hydral director questioning his commitment to joint venture Continued involvement uncertain until a concrete commitment is made • Schedule Hydral / Tecumseh meeting • Project on hold due to inability of Hydral management to make a concrete decisions

III BANK ZACHODNI (Cont'd)

OBJECT	STAFFING	A ASSIGNMENT B OPPORTUNITIES C OBSTACLES	ACTION/PROGRESS	NEXT STEPS
<p>VOPLYT zyn</p> <p>board production</p> <p>mir Borysow Pres 077 188 546</p> <p>1995 9 mln PLN</p> <p>trans Value 6 mln</p>	<p>BZ Malina Jalowy, Buryń</p> <p>Crimson Kelly Kopacz Aniol, Walkiewicz</p>	<p>A Phase II To help solicit capital for a new production line for linen chip board insulation</p> <p>B Company makes an innovative product out of industry by products</p> <p>C Small size of company and large capital requirements Potential for dramatic future increase in competition</p>	<ul style="list-style-type: none"> • Helping develop business plan to solicit a strategic investor • Nov 26-27 - On site visit with bank representative to collect data and begin business planning process • Dec 13 Presentation materials prepared in draft • Dec 17 Potential investor identified • Dec 20 Working draft of info memorandum prepared and feasibility study commenced • Current project status recommended • Information memorandum completed Jan 30 • Progress made on valuation (data collection and fundamental modeling near completion) • Feb 3 - Meeting with Pioneer to present information memorandum and introduce concept • Feb 6 - Meeting at Linoplyt for supplemental data collection • Feb 21 Valuation complete in substance • Feb 24 Meeting with Pioneer to determine action steps • Feb 27 Formal request to Pioneer to contact portfolio company (Alpex) directly 	<ul style="list-style-type: none"> • Target meeting with Alpex for first half of March

III BANK ZACHODNI (Cont'd)

OBJECT	STAFFING	A ASSIGNMENT B OPPORTUNITIES C OBSTACLES	ACTION/PROGRESS	NEXT STEPS
INFORMATION MEMORANDUM	BZ Gluszczyk Niewolnik Crimson Kelly, Thompson, Aniol	<p>A Capital Markets Assist BZ in the organization and writing of an information memorandum Such a document is to have multiple purposes including marketing and investor solicitation</p> <p>B Four prospective investors who have already indicated an interest in pursuing the opportunity to invest in BZ</p> <p>C Governmental issues relating to privatization process market for prospective investors, etc Gluszczyk to meet with MoP on 10/26 to determine extent of obstacles and/or opportunities</p>	<ul style="list-style-type: none"> • Feb 22 - Met with BZ to discuss plan of action • March 12 -Submitted RFA • March 14 FSRC completed draft standard outline of private placement document and marketing materials • Sep 23 - Reviewed project w/ Pres Gluszczyk and confirmed this is still a major priority for Bank Zachodni • Late Oct - Pres Gluszczyk to meet with Ministry of Finance to discuss a timeframe for privatization • Nov 20 Met with Pres who confirmed assignment to begin preparation of an introductory Info Mem to serve as a template for formal privatization documents • Current Project Status Recommended 	<ul style="list-style-type: none"> • Meet with BZ to determine action plan • BZ to dedicate professionals to project, pending developments at Ministry of Finance • Arrange meetings for Gluszczyk U S visit
MIS/BANK PROFITABILITY SYSTEMS	Crimson Kelly Thompson, Michalski Walkiewicz BZ Gluszczyk Niewolnik Pawlik	<p>A Operational Restructuring Review BZ management reporting, profitability and costing systems for unit profitability, product profitability and customer profitability</p> <p>B Bank profitability together with portfolio quality are the two most important considerations for prospective investors BZ has made significant investments in systems to measure profitability, and has asked the FSRC to review their progress</p> <p>C BZ's MIS systems are constrained by the hardware and software presently available in the Bank</p>	<ul style="list-style-type: none"> • Sep 19 - met with Director Pawlik Departamentu Budzetu for initial discussion • Sep 23 - met with Director Pawlik and Pres Gluszczyk to define the assistance requested from the FSRC • Nov 6 8 Met with BZ to review current profitability systems in detail • Dec 4 Met with BZ Deputy Pres to report on November work and make recommendations on next steps • RFA in process • Jan 28/29 Met to begin review of recommended changes to BZ system 	<ul style="list-style-type: none"> • Phase 1 to be completed by Feb 28

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III BANK ZACHODNI (Cont'd)

<p>BROKERAGE HOUSE <i>Development of an asset management function and investment advisory function</i></p>	<p>Crimson Kania Antoni BZ Nicwolik Soroka Sobczak Maliszewski</p>	<p>A Capital Markets To develop analytical investment advisory services and asset management capabilities at the Brokerage House</p> <p>B Since the separation of the brokerage house from BZ will have been completed by the end of 1997, the brokerage house should develop such functions to stay competitive on the market</p> <p>C None</p>	<ul style="list-style-type: none"> • Dec 9 13 Assist BZ to set up an analytical team for further training • Dec 10 Distribute documents for further discussions • Dec 9 20 - Arrange meetings with EBRD and IFC's regional programs and venture capital funds • January - First training held, attended by 13 employees • Jan 21 - Meeting to discuss the schedule of analytical training • Jan 31 - Training in financial planning • Feb 28 Financial analysis training 	<ul style="list-style-type: none"> • Mar 20 - Meet to discuss and develop steps for an IPO transaction • Mar 28 Valuation training • Apr 13 How to sell the company training
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IV POWSZECHNY BANK GOSPODARCZY

Slawomir Lachowski Main Board Director

Head Office

Al J Pilsudskiego 12

90 950 Lodz

Tel 042 36 79 10 Fax 042-36 06 46

OBJECT	STAFFING	A ASSIGNMENT B OPPORTUNITIES C OBSTACLES	ACTION/PROGRESS	NEXT STEPS
<p><i>Regional Investment 1 (a)</i></p> <p>Polish venture capital to be sponsored by and managed by its wholly owned subsidiary Lodz Management Group</p> <p>Edward W Gierynski Independent Management Group</p> <p>Proposed share capital 50 mln/ PLN 60 mln</p>	<p>Crimson Kania, Kerisi Dewey</p> <p>PBG Gierynski Nawrocki</p>	<p>A Capital Markets - To advise PBG's Department of Investment Capital and its wholly owned subsidiary Lodz Management Group on the establishment and management of this regionally based venture capital fund PBG intends to be the first Polish bank to sponsor such a fund</p> <p>B First micro-regional fund developed by a Polish institution</p> <p>C A Polish law on closed-end funds is still being drafted</p>	<ul style="list-style-type: none"> • June 13 - Met with law firms to discuss project and assess capability of legal advisers • July 18/19 IFC visited management group to discuss potential investment • June 19 Commenced rewriting offering prospectus • July 21 - Met with Hunton & Williams legal counsel to fund to discuss structuring domicile and develop schedule • July 30 - Draft of offering prospectus complete • Aug - Kania met with investors and lawyers in the US • Aug 19 - IFC visited management group to discuss potential investment • Sept 20 EBRD and Morgan Stanley Asset Management visited PBG for negotiation and due diligence • October 7 - EBRD preliminary commitment • Oct 20-21 - Gierynski in USA to meet with various FSRC contacts • Nov 1-20 Final commitment of Credit Suisse Asset Management as sub-adviser • Dec 5-6 - Pre-marketing to targeted Polish investors • Dec 23/Jan 3 Pre marketing to US investors 	<ul style="list-style-type: none"> • See below

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IV POWSZECHNY BANK GOSPODARCZY (Cont'd)

OBJECT	STAFFING	A ASSIGNMENT B OPPORTUNITIES C OBSTACLES	ACTION/PROGRESS	NEXT STEPS
<p><i>Regional Investment Fund (a) (continued)</i></p> <p>Polish venture capital to be sponsored by and managed by a wholly owned subsidiary Lodz Management Group</p> <p>Edward W. Gierynski Lodz Management Group</p> <p>used share capital 50 mln/ PLN 60 mln</p>	<p>Crimson Kania Kerisi, Dewey</p> <p>PBG Gierynski Nawrocki</p>	<p>A Capital Markets - To advise PBG's Department of Investment Capital and its wholly owned subsidiary, Lodz Management Group on the establishment and management of this regionally based venture capital fund PBG intends to be the first Polish bank to sponsor such a fund</p> <p>B First micro regional fund developed by a Polish institution</p> <p>C A Polish law on closed-end funds is still being drafted</p>	<ul style="list-style-type: none"> • January 13-17 Pre marketing trip to USA investors • Feb 10-14 - Pre marketing trip to USA • Feb 16-18 EBRD due diligence in Lodz • Feb 25 - IFC due diligence in Lodz 	<ul style="list-style-type: none"> • Mar 19-21 Follow-up / marketing in London
<p><i>Regional Investment Fund (b)</i></p> <p>above</p>	<p>Crimson Kania Kerisi</p> <p>PBG Nawrocki</p>	<p>A Develop bank presentation for projects related to LMG</p> <p>B Enhances PBG presentation skills and provides valuable marketing tool for PBG</p> <p>C None</p>	<ul style="list-style-type: none"> • July 30 - Initial meeting with PBG to develop an Action Plan 	<ul style="list-style-type: none"> • PBG to provide draft for FSRC to critique
<p><i>Regional Investment Fund (c)</i></p> <p>above</p>	<p>Crimson Kania Kerisi</p> <p>PBG Skrzypkowski</p>	<p>A Develop due diligence policies and procedures for target companies</p> <p>B Essential to building successful fund including building sophistication within companies and enhancing LMG's interaction skills with target companies</p> <p>C None</p>	<ul style="list-style-type: none"> • July 30 - Initial meeting with PBG to develop an Action Plan • Developed Confidentiality Agreements with companies • Since Sept visited twelve companies and completed draft reports on each in preparation of Lodz Investors Day a fund marketing event 	<ul style="list-style-type: none"> • Submit follow up questions to companies

IV POWSZECHNY BANK GOSPODARCZY (Cont'd)

OBJECT	STAFFING	A ASSIGNMENT B OPPORTUNITIES C OBSTACLES	ACTION/PROGRESS	NEXT STEPS
<p><i>WILOSTOCKIE</i> <i>WADY GRAFICZNE</i> Project Two stock obieskiego 24D ing and Production of s Newsprint and ms l Zaczek Dir Sales 1996 15 mln Frans Value over 10 PLN</p>	<p>Cimson Clark Thompson Michalski PBG Zalorski</p>	<p>A Financial Restructuring Assist bank in its role as adviser to company concerning a leveraged buyout as a privatization method</p> <p>B First time the bank has been an adviser to a company concerning its privatization rather than an adviser to MoP Compared to MoP very different work products of a significantly greater quality are required to attract financial investors</p> <p>C Long duration of assignment although the project is being scheduled in phases</p>	<ul style="list-style-type: none"> Opened B/G II with focus on I BO of BZG 	<ul style="list-style-type: none"> Await first draft of business plan prepared by bank branch

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IV Powszechny Bank Gospodarczy (Cont'd)

OBJECT	STAFFING	A ASSIGNMENT B OPPORTUNITIES C OBSTACLES	ACTION/PROGRESS	NEXT STEPS
<p><i>DEVELOPMENT OF LIABILITIES MANAGEMENT FINANCIAL OFFICER/PBG MANAGEMENT BOARD</i></p>	<p>PBG Jozkowiak Crimson Thompson/TBD IESC Volunteer expert</p>	<p>A Capital Markets Jerzy Jozkowiak President of PBG Investment Fund Sp z o o has been appointed to PBG's Management Board as the Bank's Chief Financial Officer He has asked the FSRC's help in locating an expert advisor for this position which does not presently exist B The CFO position includes managing the assets and liabilities of the Bank Treasury activity and currency and foreign exchange trading the Bank's interest rate policy deposit and loan policy and the issuance of debt securities for the Bank's own account This is widely recognized as an underdeveloped area of activity in Polish banks and the banks need to be increase their skills in this area if they are to successfully deal with major savings and credit issues in the financial sector C Identifying the best qualified advisor</p>	<ul style="list-style-type: none"> • Nov 5 Jerzy Jozkowiak met with FSRC to describe their request for assistance • Nov 19 Information memorandum to USAID (Mark Kraczkiewicz) and his subsequent concurrence in FSRC approach to IESC • Nov 21 Met with IESC who agree to search their data base for appropriate advisor (It was acknowledged that IESC may not have sufficient remaining funds to pay expenses for an advisor who would eventually be identified) • Nov 25 - Met with J Jozkowiak to let him know the current position He informed us that his appointment to the Management Board had been confirmed on Nov 24 • He also asked that we advise him on a response to PBG Supervisory Board's request that each Management Board member propose a recommended division of duties among the seven Management Board members • RFA in process • Current Project Status Recommended 	<ul style="list-style-type: none"> • Completion of IESC documentation or that of other sub adviser to begin search

V Powszechny Bank Kredytowy

Ewa Piwowar
Assistant to the Management Board
ul Nowy Swiat 6/12
00-400 Warszawa
Tel 661- 7838 Fax 29 69 88

OBJECT	STAFFING	A ASSIGNMENT B OPPORTUNITIES C OBSTACLES	ACTION/PROGRESS	NEXT STEPS
<p>VTERCHEMALL saw</p> <p>tics Manufacturing and in Processing</p> <p>Jerzy Juzon 23 78 97 23 96 29</p> <p>rox Sales 50 mln ↓</p> <p>rox Trans Size 3 mln ↓</p>	<p>Crimson Clark, Kersis</p> <p>PBK Pila Czwierz</p>	<p>A Operational Restructuring - Assist in business plan development Possible assistance in venture capital financing as part two of project</p> <p>B One of most financially successful companies the FSRC has worked with to date</p> <p>C Loss of the company s accountant delayed commencement of project Unclear status of this company relating to participating financial institution which must be determined with USAID Warsaw</p>	<ul style="list-style-type: none"> • Meeting on Feb 27 to discuss plan for cooperation • Delivered Confidentiality Agreement on Feb 29 • March 9 Met with owner s son to further define scope of assistance • June 14 - Met with company to review marketing and industry issues • Aug 30 - Completed operational review • Sept 16 Presentation and agreement on concrete approach to developing five year financing plan • Oct 15-23 met with the President to discuss, projections for five years and reach agreement on approach to Bank • Oct 23 - Visited company flour mill and discussed business with director • Dec 8 Met with President and Financial Director to discuss projection assumptions • January 23- Meet with President and bank to finalize cooperation plans Focus on bank committing resources and jointly preparing financial projections • Feb 12 - Meet with Financial Manager and Bankers to review the data and to discuss the projections of costs 	<ul style="list-style-type: none"> • Mar 15 - Review second draft of margins by line of business

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ZL Hydral		Kania	PM RW	Bank Zachodni		52 8	83 0	X		X		RFA Approved 3/26 Await response of prospective investor before Action Plan
NOPLYT (2)		Kelly	BK BA,PM	Bank Zachodni		9 0	6 0	X		X		RFA & Action Plan approved on 11/20/96 Reviewed on 11/27/96
Information Memorandum		Kelly	JT PM RW	Bank Zachodni				X		X		
IS / Bank Profitability System	Ke	Thompson	PM RW	Bank Zachodni				X		X		Documentation covered by that of BZ OM Operational Restructuring
okerage House		Kania	Aniol	Bank Zachodni								
Regional Investment / Legal / Documentation	(a)	Kania	JK	PBG/LMG		50 0	50 0	X		X		Covered by approved RFA & Action Plan for overall fund project on 5/23/96
Regional Investment / Bank Presentation	(b)	Kania	JK	PBG/LMG				X		X		Covered by approved RFA & Action Plan for overall fund project on 5/23/96
Regional Investment / Due Diligence procedures	(C)	Kania	JK	PBG/LMG								
alostockie Zak Granie		Clark	JT PM	PBG		15 0	10 0	X		X		
velope CFO board	sition	Thompson		PBG								
terchemall		Clark	JK PM TK	PBK	Mees Pierson	50 0	3 0 3 0	X			X	RFA & Action Plan approved 5/15/96 Reviewed on 11/27/96
OTAL						277 5	163 3	10		7	2	19

() Where known equivalent to one of following: q - enterprise revenues; total asset or equity value of enterprise or aggregate value of transaction (e.g. for percentage stakes in companies equivalent to valuation based on 100% interest)

() Actual valuation of transaction (e.g. OR - Operational Restructuring; FR = Financial Restructuring)

effects FSRC Committee decisions from May 15 through November 8 1996

PENDING TRANSACTIONS

B Pending Transactions

- I Bank Depozytowo - Kredytowy S A**
- II Bankowy Dom Handlowy Sp z o o**
- III Bank Gdanski S A**
- IV Bank Rozwoju Eksportu S A**
- V Bank Zachodni**
- VI Powszechny Bank Gospodarczy S A**
- VII Bank Przemyslowo - Handlowy**
- VIII Kredyt Bank**
- IX General**

I BANK DEPOZYTOWO KREDYTOWY w LUBLINIE SA ("BDK")

Andrzej Lulek

13 ul. Lubomelska

P O Box 184

20-954 Lublin

Tel 81 71 31-53 Fax 81 71 31 53

Bank Assessment Form is forthcoming

II BANKOWY DOM HANDLOWY

Andrzej Zaczek - Deputy Director

Ewa Raczynska

ul Kasprzaka 29/31 01 234 Warsaw

Tel 36-08 56 36-08 32 36-18 75 / Fax 36 08 78

OBJECT	STAFFING	A ASSIGNMENT B OPPORTUNITIES C OBSTACLES	ACTION/PROGRESS	NEXT STEPS
<p> <i>WAKLADY W WABIU W RURALNEGO W MILANOWEK W W MILANOWKU</i> Milanowek Title Industry Only production from rural silk Andrzej Bak Gen Man 200x Sales 1995 3 8 1 PLN Trans Value TBD </p>	<p> Crimson TBD BDH Sitnicki Raczynska </p>	<p> A Operational Restructuring Milanowek needs assistance with development of a realistic business plan and specifically with projections of sales to plan production accurately Capital Restructuring Milanowek may also seek privatization by sale to a strategic or financial investor B BDH has diagnosed the company and already implemented several steps of the restructuring process such as reduction of staff, sale of property and realignment of production lines It appears that BDH/Milanowek are motivated to implement viable suggestions and recommendations in order to assist Milanowek thus creating a potentially successful project C Liquidation may be the only option as the Company's viability appears to be poor </p>	<ul style="list-style-type: none"> • held on 2/13 and 2/28 • Visited Discussed the company with BDH during meetings the company and the production facilities on 3/1 • Received documents on organizational objectives and restructuring plans in order to make comments • March 27 Met with BDH to discuss the company the project and timing in greater detail • April 23 Presented RFA to Commitment Committee Additional info requested by CC regarding project viability • May 21 Discussed the project and timing of assistance with BDH • Current Project Status Pending 	<ul style="list-style-type: none"> • Resolve legal issues regarding real estate ownership • Await Voivod's decision as to the division of certain assets and the potential sale to an investor • Commitment Committee meeting to determine change in classification and/or next steps

III BANK GDANSKI

Dr Krzysztof Szymanski
VP of the Executive Board
ul Targ Drzewny 1
80 958 Gdansk

Tel 058 379 335 / Fax 058-379 337

Bank Gdanski has requested assistance. However, a Bank Assessment Form has not yet been submitted. As such, it has yet to be determined if the bank will be qualified for assistance under the FSRC.

IV BANK ROZWOJU EKSPORTU SA ("BRE")

Zenon Slomski

Deputy Director Restructuring and Privatization Department

PI Bankowa 2 WARSZAWA

Tel 637 2386 Fax 3912 1622

PROJECT	STAFFING	A ASSIGNMENT B OPPORTUNITIES C OBSTACLES	ACTION/PROGRESS	NEXT STEPS
<p><i>UNIPROMSA</i> Warsaw</p> <p>Accounting</p> <p>Robert Grymowicz Financial Director tel 10 10 01 ext 372</p> <p>sales 1996 PLN 45mln Net Trans Value 1 N 4 mln</p>	<p>Crimson Clark Aniol</p> <p>BRE TBD</p>	<p>D Do a thorough review of the company's operations in order to identify major areas to be improved and to be taken advantage of</p> <p>B Help a relatively young and successful company improve services in order to receive additional financing for further expansion</p> <p>C NA</p>	<ul style="list-style-type: none"> • Jan 15 and 20 - met with the company to discuss the cooperations and involvement of all the parties • Current Project Status waiting for RFA approval • Feb 10 11 12- On site review of the company's operations 	<ul style="list-style-type: none"> • Mar 6 - presentation of opportunities for improvement • Obtain RFA approval
<p><i>Internet Technologies</i> Warsaw</p> <p>Internet Service Provider</p> <p>Rafal Plutecki resident tel 606 0310 fax 606 0314</p> <p>sales 1996 PLN 12.5 mln Net Trans value mln PLN</p>	<p>Crimson Clark Kaim Dewe</p> <p>BRE Jastrebski</p>	<p>A Do assist the company negotiate a partial sale to a strategic investor</p> <p>B To assist a young and successful company in a booming industry negotiate an optimal transaction with an industry giant</p> <p>C Hard to assess value of the company in such a dynamic industry whose full potential is unknown</p>	<ul style="list-style-type: none"> • Feb 5 28 met with IT management to discuss strategy exchanged confidentiality agreements, and begin company valuation 	<ul style="list-style-type: none"> • Mar 5 meeting with potential acquirer at IT office • Mar - continue with company valuation • Complete RFA

V **BANK ZACHODNI**

Grazyna Niewolik
Deputy President
ul Laciarska 3
50-590 Wroclaw

Tel 071 445 411 Fax 071 328 83

PROJECT	STAFFING	A ASSIGNMENT B OPPORTUNITIES C OBSTACLES	ACTION/PROGRESS	NEXT STEPS
<i>EUROBOND</i>	Crimson Aniol BZ TBD	A TBD B TBD C TBD	<ul style="list-style-type: none"> • Current Project Status Pending 	<ul style="list-style-type: none"> • Feb 20 - Meeting to review next steps
<p><i>Bank Zachodni Brokerage House, public floatation</i></p> <p>Grazyna Lobuale Director of primary markets</p> <p>Estimated trans value in mln PLN</p>	Crimson TK PM TBD	<p>A Help with financial analysis projections company valuation and risk evaluation</p> <p>B Assist Bank Zachodni s brokerage house with its first public floatation</p> <p>C NA</p>	<ul style="list-style-type: none"> • Feb 20- met with bank to discuss the transaction and timeframe • Feb 21-25 Developed work plan 	<ul style="list-style-type: none"> • Complete RFA • Mar 3-14 - analysis of comparable companies market analysis and information collection process • Mar 17-28 - valuation based on discounted cash flow analysis and the adjusted book value comparable company analysis

VII BANK PRZEMYSŁOWO-HANDLOWY

Irena Komorowska
 Member of the Management Board
 ul. Na Zjeździe 11
 00-527 Kraków
 Tel. 48 12 187 110

PROJECT	STAFFING	A ASSIGNMENT B OPPORTUNITIES C OBSTACLES	ACTION/PROGRESS	NEXT STEPS
<p><i>HUTA OSTROWIEC S.A. Phase II</i></p> <p>trowiec Swietokrzyski</p> <p>el Manufacturing</p> <p>os Jozef Krekora</p> <p>les 1995 543.3 mln PLN</p> <p>sets 1995 486.5 mln PLN</p> <p>t Trans Size TBD</p>	<p>Crimson Kelly, Clark Kaim</p> <p>Coopers & Lybrand Dwornik Zareba</p> <p>BPH Sobala Gola Bieronski Siadek</p> <p>Huta Ostrowiec Krekora Zywczyk</p>	<p>A Operational Restructuring Project (a) product cost accounting, b) profit and cost centers, and c) capital project evaluation. Projects b) and c) will commence simultaneously following completion of a)</p> <p>B Transaction of significant importance to BPH which owns 7% of shares and has 88 mln PLN loan exposure. Opportunity for significant skill transfer to bank staff working on the project as project will be used by Problem Loan Dept as a template for evaluation and remediation of other problem loan clients to BPH</p> <p>C Working on a project in the steel industry is well-known to be highly resource and time intensive</p>	<ul style="list-style-type: none"> Phase I completed on Feb 28 - New responsibility center structure proposed, final acceptance proposal pending completion of related work by other consultants 	<ul style="list-style-type: none"> March - reach an agreement for phase II with other consultants

VIII POWSZECHNY BANK KREDYTOWY

Ewa Piwowar
 Assistant to the Management Board
 ul Nowy Swiat 6/12
 00 400 Warszawa
 Tel 661- 7838 Fax 29 69 88

OBJECT	STAFFING	A ASSIGNMENT B OPPORTUNITIES C OBSTACLES	ACTION/PROGRESS	NEXT STEPS
<p><i>EMB, phase II</i> ze near Katowice</p> <p>Building machinery</p> <p>Union Badura 032 1215538 032 1213211</p> <p>ox Sales 11.5 mln</p> <p>ox Trans Size 3 mln</p>	<p>Crimson Kam</p> <p>PBK/GBG Nowak</p>	<p>A Capital Markets Assist in identifying a strategic investor to support in the process of privatization through liquidation and subsequent sale of the company</p> <p>B Opportunity to extend product line from building machinery to concrete pavement</p> <p>C Additional source of financing is required as current joint venture partner cannot fully finance the enterprise with its own capital Due to present poor condition of the building industry in Poland this project may face challenges beyond its control</p>	<ul style="list-style-type: none"> • Feb 28 Phase I completed, potential investors found continuation of phase II pending voivodship decision on privatization of company 	<ul style="list-style-type: none"> • Await voivodship decision on privatization of company

IX Kredyt Bank
 Bankowy Dom Handlowy
 Andrzej Zaczek
 Member of the Management Board
 ul Kasprzaka 29/31
 01-234 Warsaw
 Tel 022 36-08-32 Fax 022 36 08 78

JECT	STAFFING	A ASSIGNMENT B OPPORTUNITIES C OBSTACLES	ACTION/PROGRESS	NEXT STEPS
BANKOWY DOM HANDLOWY, Sp z o o Warszawa, Poland Real Services Pawomir Bielec 8.8 million PLN 34.2 million PLN	Crimson Kopacz Michalski Szyszka BDH Zaczek Skorzewski	<p>A Preparation of Systems for analyzing future commercial real estate projects by a) identifying and determining key market data b) preparing appropriate models for determining preliminary feasibility analysis c) developing models for generating real estate equity syndications and d) approaches to preparing necessary information memoranda to substantiate construction loan financing</p> <p>B Transaction represents BDH's first initiated commercial real estate development which will be managed from beginning to end by BDH. Commercial real estate finance is a prime area of growth, and expertise in this area shall be in increasing demand. Great</p> <p>C Real estate finance represents a relatively new area for the Bank. The first project is an office building, with an office market probably reaching saturation levels about the time that this project is to come on line</p>	<ul style="list-style-type: none"> • Visited Kredyt Bank on Dec 10 and 19 to define general scope of work • Met with vice president Zaczek and Skorzewski to further define scope of work (identify specific project) • Meetings scheduled for February 7 to further define project work plan scheduling and staffing from both BDH and Crimson • Feb 24 - Sent letter proposing next organizational meeting • Feb 12 - Letter received from BDH appointing BDH team to the project 	<ul style="list-style-type: none"> • Define exact staffing from BDH side (Feb 12) • Develop models for determining preliminary feasibility • Obtain RFA

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IX KREDYT BANK (Cont)

OBJECT	STAFFING	A ASSIGNMENT B OPPORTUNITIES C OBSTACLES	ACTION/PROGRESS	NEXT STEPS
<p>KREDYT LEASE S.A. Warsaw Poland</p> <p>Financial restructuring</p> <p>Leszek Moskwicki</p> <p>Assets 1996 16.0 million</p> <p>Liabilities 1995 37.1 million</p>	<p>Crimson Kopicz Michalski</p> <p>BDH Zaczek Skorzewski</p>	<p>A Prepare financial restructuring plan for Kredyt Lease to include an increase in the company's overall capitalization as well as organize merger of Kredyt Lease with other Bank leasing activities conducted outside of Kredyt Lease</p> <p>B Leasing market in Poland is continuing to grow particularly in the more lucrative industrial leasing area, representing a unique opportunity as users of capital seek more diverse financing methods to finance their business</p> <p>C Lawa affecting leasing in somewhat uncertain state which may affect the attractiveness of leasing as a financing tool highly leveraged position of Kredyt Lease may limit its options for obtaining additional financing to sale of additional equity (which may threaten to dilute Kredyt Bank's position in the company)</p>	<ul style="list-style-type: none"> • January 22 Meet with Kredyt Bank officials to determine scope of work and assistance • Meeting set for February 7 to meet with president of Kredyt Lease to collect detailed information and refine work plan • Feb 7 Met with president of Kredyt Lease to discuss the status of the firm and collect information • Feb 24 Sent letter to BDH with preliminary comments on financial restructuring proposal 	<ul style="list-style-type: none"> • Mar - determine work plan and arrange follow on meeting • Obtain RFA approval

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X General

OBJECT	STAFFING	A ASSIGNMENT B OPPORTUNITIES C OBSTACLES	ACTION/PROGRESS	NEXT STEPS
<p>FUNDUSZ GORNOSLASKIE vice onal Government tment Fund k Lukaszewski President, Chief tment Officer alized at PLN 200 it inception rans Value 9 mln (based on 60% rship of a bank with imum alization allowed by of PLN 15 mln)</p>	<p>Crimson Thompson</p>	<p>A Capital Markets i) Advise Fundusz Gornoslaskie (Upper Silesia Regional Development Fund) on the feasibility of forming of a Gornoslaskie Regional Investment Bank ii) Assist in developing a Business Plan and completing relevant government applications iii) Advise on staffing requirements and operational procedures B A Gornoslaskie Regional Development Bank would be the first such entity established on a regional basis C To be successful, Fundusz Gornoslaskie will need to mobilize political support from its Board of Directors, from the Ministry of Finance and Central Bank and from regional authorities</p>	<ul style="list-style-type: none"> • May 30 mct with Fund Chief Investment Officer Lukaszewski to discuss the company s background, capitalization objectives and plans • Current Project Status Pending 	<ul style="list-style-type: none"> • Complete call memo and RIA • To be developed at the request of USAID

Polish Financial Services Resource Center

Contract Number: EPE-0005-I-00-5054-00

Annex to Summary of Activities: **Completed Projects**

Undertaken By
Crimson Capital Corporation

under the Sponsorship of the
United States Agency for International Development

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I BANK ROZWOJU EKSPORTU SA ("BRE")

Zenon Slomski

Deputy Director Restructuring and Privatization Department

PI Bankowy 2 Warsaw

Tel 637 2386 Fax 3912-1622

PROJECT	STAFFING	A ASSIGNMENT B OPPORTUNITIES C OBSTACLES	ACTION/PROGRESS
<p><i>1) RKS CZEMPIN</i> Czempin</p> <p>Manufactures juices, ice cream, and frozen and dried produce products</p> <p>Felicjan Rozynek President Tel 06 672 7337 Fax 06 672 6488</p> <p>Sales 40 mln PLN Assets 95 mln PLN</p> <p>Est Trans Value approx 100mln PLN</p>	<p>Crimson Kaim, Kania</p> <p>BRE Jastzebski, Sobulewska Libera</p>	<p>A Financial Restructuring Work out of problem loans ' Possible debt-for equity swap and sale or partial sale of the company</p> <p>B Assist BRE build restructuring expertise</p> <p>C Cooperative ownership structure renders rapid action difficult Other creditors are slow to develop action plans</p>	<ul style="list-style-type: none"> • RFA submitted to Commitment Committee on February 2 • Feb 28 - Discussed status with BRE • July 19 BRE representative requested potential FSRC assistance to review comprehensive study performed by food industry experts • Nov 8- Discussed option with BRE regarding next possible step Options include debt for equity swap or liquidation and creation of a new company based on viable assets • Current project status Completed

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I BANK ROZWOJU EKSPORTU SA ("BRE") (Cont' d)

PROJECT	STAFFING	A ASSIGNMENT B OPPORTUNITIES C OBSTACLES	ACTION/PROGRESS
<p>2) <i>GALMEKO</i> Gdynia</p> <p>Manuf of Shelves and Display Systems</p> <p>Leszek Grzybowski, Owner/Director ul Rzemieslnicza 12 Tel 058 79-1456</p> <p>Sales 1995 9 mln PLN</p> <p>Est Trans Value 5 mln PLN</p>	<p>BRI Cumber Crimson Flobeck Pilch Kaun</p>	<p>A Operational Restructuring The company would like help in the preparation of a business plan to attract investors</p> <p>B The company is in excellent condition and chances for successful completion of a business plan and securing of finance are extremely high Also the company was referred by Copernicus a venture capital firm well regarded in the Polish business community, and could lead to further referrals</p> <p>C BG is not a FSRC-approved bank Galmeko would like BG involved, but has approved working with BRE in lieu of BG So as to resolve this obstacle, the FSRC has forwarded the project to BRE</p>	<ul style="list-style-type: none"> • Feb 28 - Gather information for RFA and discussed plan of action • Feb 28 - The company President faxed a letter to BG's Head of Corporate Lending stating that he would like BG to work with Crimson on this project The letter will be submitted as part of the RFA • Feb 29 - Faxed follow up questions and company provided market information • Mar 5 - Visited the company for preliminary due diligence and work on RFA • Mar 15 - Submitted proposal to BRE Credit Dept Possible BRE loan or combination with IFC credit program (Cont'd) • April 14- Completed business and market study • April 24 - Completed business plan financial analysis and projections • May 1 - Completed RFA & Action Plan • Pending request by company and BRE, will consider Phase 2 project to solicit venture capital investment • Current Project Status Completed

I BANK ROZWOJU EKSPORTU SA ("BRE") (Cont' d)

PROJECT	STAFFING	A ASSIGNMENT B OPPORTUNITIES C OBSTACLES	ACTION/PROGRESS
<p>3) <i>K/P</i> Kostrzyn</p> <p>Pulp and Paper Manuf. JV between Polish, Swedish and Finnish entities</p> <p>Sales 1995 112 mln PLN</p> <p>1st Trans Value 12 mln PLN</p>	<p>Crimson Smith</p> <p>BRE Cumber</p>	<p>A Financial Restructuring Creditor intermediation</p> <p>B Assist in the development of BRE's project finance skills</p> <p>C Foreign investors' commitment to the project is questionable</p>	<ul style="list-style-type: none"> • Submitted RFA & Action Plan • Assisted BRE Credit Department in gaining Board of Director's approval for senior-ranking EBRD funding of PLN 117 in connection with refinancing plan put forward by EBRD • Current Project Status Completed
<p>4) <i>LUBELSKIE UTRZARSKIE ("KUROW")</i> Kurowie near Lublin</p> <p>Fur Processing</p> <p>Dariusz Marek Bara Member of Management Board Tel 081 81 11 05</p> <p>Sales 1995 14.8 mln PLN</p> <p>1st Trans Value 7 mln PLN</p>	<p>BRE Slomski Rostworowski Wiacek</p> <p>Crimson Kersis Kania Kaminski</p> <p>PBK Cwierz Pila</p>	<p>A Financial Restructuring Creditor intermediation in Bank Conciliation Proceedings Also identify immediate operational restructuring opportunities to improve financial position</p> <p>B Assist BRE in developing a positive relationship with an internationally-focused company further developing its universal banking capabilities Assist PBK in a successful completion of the bank conciliation process Talented management strong core business and viable operational improvement plan</p> <p>C Short time frame for implementing bank conciliation process as company is in serious need of working capital</p>	<ul style="list-style-type: none"> • FSRC Team obtained information on the second largest fur processor in Poland, a major competitor • Met with BRE staff to discuss project • March 14 Met with management and toured facilities • March 26 Submitted RFA and Action Plan • April 18 Met with company and creditors • April 30 Met with BRE to discuss possibility of DIP-type financing for Kurow • May 10 30- Worked with company and PBK to review financial projections perform valuation make debt conversion recommendations • May 31 Completed restructuring plan • Respond to specific requests from bank and company, as part two of project • Current Project Status Completed

I BANK ROZWOJU EKSPORTU SA ("BRE") (Cont'd)

PROJECT	STAFFING	A ASSIGNMENT B OPPORTUNITIES C OBSTACLES	ACTION/PROGRESS
<p>5) SHARP HANMAR Kleszczow</p> <p>Foodstuff Packaging</p> <p>Krzysztof Miszczak Tel 042 140-677</p> <p>Est Trans Value 12 mln PLN</p>	<p>Crimson Kinnikinnik</p> <p>BRE Karczewska Malec</p>	<p>A Assistance with project financing on new packaging facility in Wroclaw</p> <p>B Work with another USAID affiliated group CARESBAC to develop debt financing</p> <p>C Traditional bank debt financing in Poland is too expensive for project</p>	<ul style="list-style-type: none"> • Initial meeting on Feb 27 • March 18 Visited management and site • March 22 - Met with IFC to discuss lending opportunities and referred to BRE (who has access to IFC credit facilities) for review • March 26 - Met with World Bank to discuss financing opportunities • May 2 - Facilitated financing negotiations between PBR and Sharp-Hanmar for PLN 12 mln loan • Subject to PBR interest, commence phase two of project • Current Project Status Completed
<p>6) SOLO SA Szczecin</p> <p>Retail and wholesale fuel distribution</p> <p>Ewa Labieniec President's Assistant Tel 091-521-809</p> <p>Sales 1994 507.5 mln PLN</p> <p>Approx Trans Value 50 mln PLN</p>	<p>Project Manager Kelly</p> <p>BRE Mazurczak Bargielska, Szczecin Branch Representative,</p> <p>Crimson Kelly Flobeck Kersis</p>	<p>A Capital Markets Help owners change legal form of company and divestiture of equity stake in order to raise additional investment capital to expand retail network, undertake additional capital expenditure program, and retire debt</p> <p>B Opportunities include transformation and improvement of one of the largest companies in Poland. The process of conversion is set and shall occur in the near term</p> <p>C Sensitive issues include tax liabilities, share capital augmentation and investor preferences</p>	<ul style="list-style-type: none"> • Feb 6-7 Participated in Veba due diligence of Solo • Feb 27 Met with Coopers to discuss outstanding valuation issues • Feb 28 Company presentation and cooperation discussions with Amoco who during the meeting expressed interest in working with Solo and commenced development of Letter of Intent at that time • RFA and Action Plan submitted and approved by Commitment Committee • March 15 Veba visits Solo to ask follow-up questions pertaining to valuation • March 17 Amoco sent letter to Solo indicating interest in the joint development of two retail sites • April 25 Company presentation to Petrofina • May 15 - Solo provided year end balance sheet to Veba • May 20 Company presentation to Total • May 31 Based on previous audit company valuation, and debt analysis completed in depth analysis of BRE's future rights and responsibilities as a secured creditor to Solo opined upon investor solicitation process and recommended acceptance of Amoco proposal • Current Project Status Completed

I BANK ROZWOJU EKSPORTU SA ("BRE") (Cont'd)

PROJECT	STAFFING	A ASSIGNMENT B OPPORTUNITIES C OBSTACLES	ACTION/PROGRESS
<p>7) COMMERCIAL PAPLR - BAHLSEN SA</p> <p>Zenon Slomski, Dir Capital Markets</p> <p>Trans Value 25 mln PLN</p>	<p>BRF Slomski Dewey Legal Counsel</p> <p>Crimson Kania Flobeck</p>	<p>A Assist BRF with marketing their commercial paper capabilities to Bahlsen SA a major German consumer goods company with three Polish subsidiaries</p> <p>B Bank is committed to developing commercial paper capabilities and implementing project</p> <p>C A true CP market in Poland is non-existent especially for issues by domestic banks</p>	<ul style="list-style-type: none"> • Feb 19 Initial meeting • Reviewed a presentation and assisted in re-organizing and writing the material • Feb 29 Met with BRE to review initial comments • March 11 Commented on pricing analysis market focus and legal issues • March 30 Following the bank's request the FSRC gave a presentation to a group of approximately 30 bankers on Polish and western commercial paper markets • April 20 BRE presentation to Bahlsen • Current Project Status Completed
<p>8) DIP Financing</p> <p>Potential Trans Value 3 mln PLN</p>	<p>BRE Cumber Dewey Rostworowski</p> <p>Crimson Kania Kaminski Kersis</p>	<p>A Develop in-depth analysis of DIP financing Outline necessary steps to structure and conclude such financing including standard terms fees credit issues and performance covenants</p> <p>B New product for Polish market BRE could develop a niche for this financing</p> <p>C Polish banks are unfamiliar with this type of financing and are hesitant to develop it</p>	<ul style="list-style-type: none"> • May 9 - Met with BRE to introduce concept of DIP financing • May 11 - Sent follow up memorandum further describing interim financing programs and the lending opportunity for Kurow • Undertook in depth review of debt conciliatory law regarding financing • May 20 - Met with head of BRE Credit Dept and Lublin branch officer to make presentation and to further discuss opportunity • May 21 - BRE indicated commitment is under consideration • Current Project Status Completed
<p>9) OPTIMUM Szczecin</p> <p>Shipping</p> <p>Andrzej Buchholz Director Tel 091 53-92 90</p> <p>Sales 1995 13.7 mln PLN</p> <p>Est Trans Value 1.3 mln PLN</p>	<p>Crimson Kania Kersis, Walkiewicz</p> <p>BRE Rostworowski</p>	<p>A Operational Restructuring Review and develop business plan</p> <p>B Company developing state-of-the-art rail wagon component allowing trains dual access to Polish and Russian tracks</p> <p>C Delay in receipt of company information deferring project completion</p>	<ul style="list-style-type: none"> • April 22 - Met with company management, toured facilities and discussed project goals Provided RFA form to owner • June 10 - Met with owner to develop topics for business plan • June 29 - Sent follow-up information request necessary to complete draft business plan • October 21 Met with management to review business plan and company presentation • Current project status Completed

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I BANK ROZWOJU EKSPORTU SA ("BRE") (Cont'd)

PROJECT	STAFFING	A ASSIGNMENT B OPPORTUNITIES C OBSTACLES	ACTION/PROGRESS
<p>1) KAREN</p> <p>Portable Computers</p> <p>Lucjan Wencel Pres Tel 022 636 1234</p> <p>Sales 18 mln PLN</p> <p>Est Transaction Value 10 mln PLN</p>	<p>Crimson Kania Kaminski</p> <p>BRE Wieczorek</p>	<p>A Capital Markets</p> <ul style="list-style-type: none"> • Develop business and financial plan • Possible venture capital financing <p>B This is our second transaction in the technology sector but first with BRE</p> <p>C Need to resolve complex ownership issues and overcome disorganized accounting practices Company is hesitant to disclose certain information to prospective investors</p>	<ul style="list-style-type: none"> • Initial meeting held on Feb 29 • April 23 RFA and Action Plan completed • May Conducted due diligence • June - Preparation of Business Plan Financial Analysis and Company Valuation • August - Company organized accounting systems and practices and prepared financial consolidation and audit • Main issues of complex ownership structure are being successfully resolved • September financial consolidation has been completed and unaudited data is being used for financial projection and valuation • October Financial reports as a result of consolidation found to be once again incomplete and incorrect Corrections being developed Structure for valuation model completed • December Completed draft info memorandum • Project completed client refused to pay for appropriate third party services
<p>2) LUBELSKIE FUTRZARSKIE ("KUROW")</p> <p>Kurowie near Lublin</p> <p>Fur Processing</p> <p>Dariusz Marek Baran Member of Management Board Tel 081 81 11 05</p> <p>Sales 1995 14.8 mln PLN</p> <p>Est Trans Value 7 mln PLN</p>	<p>Crimson Kania Kersis Kaminski</p> <p>PBK Cwierz Pila</p> <p>BRE Slomski Rostworowski Wtacek</p>	<p>A Financial Restructuring Phase two project Following submission of restructuring plan working with company and PBK to ensure MoP approval of privatization documents Long term cooperation plan to transfer sophisticated financial reporting skills</p> <p>B First bank conciliation agreement process for this division of PBK</p> <p>C PBK employees are inexperienced in debt reconciliation processes</p>	<ul style="list-style-type: none"> • June 14 Completed timetable for restructuring with PBK and Kurow • June 28 -Submitted refined financial analysis • July Text of the debt conciliation agreement is being negotiated and drafted • Aug 23 - Debt conciliation agreement signed • Assisted in submitting privatization documentation • Sept 19 - Presentation on financial reporting and how to upgrade reporting systems over the next eighteen months to Company Director and Chief Accountant • Oct 5 Kurow Fashion Show gauge success of new marketing plan • Project completed

II BANK ZACHODNI

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ul. Laciarska 3
50 590 Wroclaw

Tel 071 44 54 11 Fax 071 328 83

PROJECT	STAFFING	A ASSIGNMENT B OPPORTUNITIES C OBSTACLES	ACTION/PROGRESS
<p>1) JELFA - COMMERCIAL PAPER (CP)</p> <p>Krzysztof Radom Dir Capital Markets Tel 071-445 411</p> <p>Est Trans Value 5 mln PLN</p>	<p>Crimson Kelly Flobeck Kersis Aniol</p> <p>BZ Radom Niewolik</p>	<p>A Develop CP program for Jelfa a listed pharmaceutical company work will include i) analyzing and critiquing legal structure ii) analyzing and critiquing marketing presentation iii) developing structure and pricing alternatives iv) analyzing final structure of bond issues v) verifying credit market risk and underwriting risk of the issue</p> <p>B Proceed with implementation of market-based CP issue</p> <p>C Significant research requirements Uncertainties about market behavior</p>	<ul style="list-style-type: none"> • Feb 5 22 - Developed and delivered (on Feb 22) FSRC produced document CP Overview • March 6 RFA & Action Plan submitted • March Met with Capital Market specialists to review status of BZ's work and receive information on Jelfa • March Established contact with Central European Rating Agency CERA a USAID contractor to discuss prospects of securing rating for issue • March Reviewed and provided commentary on BZ's CP presentation and critiqued analysis of market company credit and underwriting issues • March 18 - Assisted in analysis of relevant legal issues with regard to security underwriting and structure of the issue program • March 25 Discussed with BZ to form a joint strategy • May 30 Provided product overview • Current Project Status Completed
<p>2) KSIĄZ - Project One Wroclaw</p> <p>Porcelain and ceramics</p> <p>Bogdan Safader Tel 071 332 14</p> <p>Salcs 1995 26 mln PLN</p> <p>Est Trans Value 10 5 mln PLN</p>	<p>BZ Gluszyk Niewolik Matlawska</p> <p>Crimson Kelly Aniol Flobeck</p>	<p>A Operational Restructuring i) Review operational viability of company ii) opine upon technical and financial merits of company management's proposed investment in new production technology and iii) Prepare plan critiquing company's current marketing efforts</p> <p>B Participate in helping one of the largest porcelain manufacturers in Poland</p> <p>C Difficulties include i) the large unionized workforce ii) huge debt problems and iii) the necessity for significant investment</p>	<ul style="list-style-type: none"> • Met with management visited the site and discussed the project with BZ management on Jan 15 • Delivered RFA to Ksiaz and BZ management on Feb 14 • April 2 RFA presented to Commitment Committee • April 25 26 - FSRC visited facilities in order to analyze marketing functions and production technology • May 15 Met with BZ management board to deliver operational restructuring and market analysis report Recommended next steps • Develop Phase Two follow-on projects • Develop Action Plans for next steps • Current Project Status Phase One completed

III BANK ZACHODNI (cont'd)

PROJECT	STAFFING	A ASSIGNMENT B OPPORTUNITIES C OBSTACLES	ACTION/PROGRESS
<p>3) <i>KSIĄZ - Project Two</i> Wrocław</p> <p>Porcelain and ceramics</p> <p>Bogdan Safader Tel 071 332 14</p> <p>Sales 1995 26 mln PLN</p> <p>Est Trans Value 10 5 mln PLN</p>	<p>BZ Gluszczyk Niewolik Matlawska Miklaszewski Mazur</p> <p>Crimson Kelly Kopacz Aniol Michalski</p>	<p>A Operational Restructuring Provide marketing and technology assessment assistance</p> <p>B Major project for BZ a 66% owner of the company Largest porcelain facility in Europe</p> <p>C BZ committed to cost sharing on this large scale project remedying previously noted obstacle</p>	<ul style="list-style-type: none"> • Throughout June Worked with British Know How Fund to identify a marketing expert • June 5 - Submitted application for a technical expert through IESC to initiate Project Two • June 14 Discussed project with technical experts of Delmarva Consortium • June 28 Received Delmarva Consortium's proposal • July 18 19 - On-site visit in order to develop a marketing plan for the last quarter of 1996 • Aug 23 - Provided two reports to company and bank Sales Plan for IV Quarter 1996 and Analysis of and Recommendations Relating to Sanitary Line Profitability • Submitted USAID approval request (including action plan and sub contractor's proposal) for marketing and technology experts • Sept 19 Technical expert commenced on site evaluation of necessary investments To complete visit on Oct 13 • Sept 24 Coordinated the expert's work plan with BZ • Oct 7 Met with BZ to discuss expert's progress and assessments • Oct 14 Assisted in search for chief operation officer for the company • Oct 10 Presentation on the investments needed in Ksiaz • Oct 14 19 Audit of the marketing work and the evaluation of management style • Nov 29 Met with BZ to discuss the bank's strategy for Ksiaz in light of proposals from strategic investors

III BANK ZACHODNI (cont'd)

PROJECT	STAFFING	A ASSIGNMENT B OPPORTUNITIES C OBSTACLES	ACTION/PROGRESS
<p>3) <i>KSIĄZ - Project Two</i> <i>(cont d)</i> Wroclaw</p> <p>Porcelain and ceramics</p> <p>Bogdan Safader Tel 071 332 14</p> <p>Sales 1995 26 mln PLN</p> <p>Est Trans Value 10.5 mln PLN</p>	See above	See above	<ul style="list-style-type: none"> • Dec 1 Prepared presentation on Procedures of selling a company • Dec 1 10 - Developed a report on Ksiaz management and the company's operations • Dec 11 - BZ advised of negotiations with three potential buyers and stated intention to divest of Ksiaz in this manner I SRC assistance declared successful by BZ and assignment acknowledged as complete

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II BANK ZACHODNI (Cont'd)

PROJECT	STAFFING	A ASSIGNMENT B OPPORTUNITIES C OBSTACLES	ACTION/PROGRESS
<p>4) <i>LEN</i> Kamienna Gora</p> <p>Linen Production</p> <p>Sales 1995 30 mln PLN</p> <p>Est Trans Value 50-60 mln PLN</p>	<p>Crimson Kelly Aniol Flobeck</p> <p>BZ Lis</p>	<p>A Capital Markets Develop financial restructuring alternatives for this vertically integrated linen producer Seek possible strategic investor</p> <p>B Assist one of the most distressed industries in Poland by developing investor relationships</p> <p>C Heavy unionization and high debt levels</p>	<ul style="list-style-type: none"> • Jan 15 Met with BZ to develop project profile • Feb 14 Follow up meeting on project needs • March 18 Met with company management to finalize RFA and Action Plan Visited facilities • March 26 RFA and Action submitted to Commitment Committee • April 25 Received BZ draft Lin information memorandum • May 10 Completed summary of investment and company overview materials • Distributed investment materials and company overview to selected potential investors • June 4 - Meet with BZ to discuss phase two actions • Current Project Status Completed
<p>5) <i>COMMERCIAL PAPER - HUTA OLAWA AND POLKOWICE MUNICIPALITY</i></p> <p>Krzysztof Radom Dir Capital Markets</p> <p>Est Trans Value 5 mln PLN</p>	<p>Crimson Kelly Aniol Flobeck</p> <p>BZ Radom Niewolik Legal Counsel</p>	<p>A Review critique and improve BZ's pilot CP program for Huta Olawa a publicly listed steel mill and Polkowice Municipality Work would include i) analyzing and critiquing legal structure ii) analyzing and critiquing marketing presentation iii) suggesting alternative structures and pricing alternatives iv) checking and analyzing final structure of bond issue and v) analyzing credit market risk and underwriting risk of the issue</p> <p>B Help BZ implement first true market-based CP issue in Poland and work with the first Polish bank to succeed in structuring debt for a domestic Polish enterprise</p> <p>C New products require significant research and planning BZ and the market may be psychologically ill prepared for such an event</p>	<ul style="list-style-type: none"> • Feb 28 - Met with senior BZ counsel and capital markets personnel to discuss project • March 4 - RFA and Action Plan submitted • March 8 Met to discuss legal and pricing issues Explained company and underwriting risk analysis • March 25 Met with BZ staff to discuss due diligence process • April 11 Met to finalize due diligence checklist for Huta Olawa and Polkowice Municipality • May 5 Presented in depth due diligence procedures for debt issues and further discussed projects • May 15 - Met with head of Capital Markets Group who is developing the projects to respond to and finalize all remaining questions on legal market and pricing issues • Current Project Status Completed
<p>6) <i>CONVERTIBLE BOND</i></p> <p>Est Trans Value 8 mln PLN</p>	<p>BZ Niewolik Radom Crimson Flobeck Aniol Pilch</p>	<p>A Capital Markets Provide parameters and advise for the establishment of a convertible bond program</p> <p>B Builds BZ capital markets strength</p> <p>C Legal issues remain to be clarified</p>	<ul style="list-style-type: none"> • May 15 Met with BZ to review convertible bond presentation • May 31 Met with BZ to resolve due diligence parameters pricing legal constraints and market potential for a convertible bond issue for a major publicly listed company • Current Project Status Completed

II BANK ZACHODNI (Cont'd)

PROJECT	STAFFING	A ASSIGNMENT B OPPORTUNITIES C OBSTACLES	ACTION/PROGRESS
<p>7) LINOPLYT Wolczyn</p> <p>Flaxboard production</p> <p>Sedzimir Borysow Pres Tel 077 188 546</p> <p>Sales 1995 9 mln PLN</p> <p>Fst Trans Value 6 mln PLN</p>	<p>BZ Lis</p> <p>Crimson Kelly Aniol</p>	<p>A Phase I To evaluate the market for a new production line for linen chip board insulation</p> <p>B Company makes an innovative product out of industry by products</p> <p>C Small size of company and large capital requirements Potential for dramatic future increase in competition</p>	<ul style="list-style-type: none"> • Jan 15 - Met with BZ to develop project profile and begin work on RFA • Feb 28 Met with company management and continued work on RFA • Feb 29 Sent Confidentiality Letter • March 8 Conducted due diligence • April 2 Submitted RFA to Commitment Committee • April 5 - Company responded to follow up due diligence questions • June 19 Submitted application for an expert from IESC • Sept 30 - Meet with a technical expert to determine the scope of work to be done in Linoplyt • Current Project Status Recommended • Oct 1 -31 - Technical expert to visit company and evaluate operations and make recommendations on i) minimum investment plan ii) long range investment plan and iii) modernization plan • Oct 10 Met with Bipodrzew to discuss the modernization plan for Linoplyt • Oct 24 - Visited Linoplyt with BZ to make pertinent amendments to the scope of work • Oct 31 Presentation to BZ on investment plan for Linoplyt and discussion of next steps with BZ • Current Project Status Phase I completed

III Powszechny Bank Gospodarczy

Sławomir Lachowski Main Board Director

Head Office

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90 950 Łódź

Tel 042 36-79 10 Fax 042 36 06 46

PROJECT	STAFFING	A ASSIGNMENT B OPPORTUNITIES C OBSTACLES	ACTION/PROGRESS
<p>1) ZWOLTEX SA Łódź</p> <p>Textile production</p> <p>Contact Company CEO</p> <p>Book value (9/30/95) PLN 40 mln (PBG Investment Fund shareholding 36.76%)</p> <p>Est Trans Value PLN 2.7 mln</p>	<p>Project Manager Thompson</p> <p>PBG Nawrocki Joskowiak</p> <p>Crimson Thompson Pilch Michalski</p>	<p>A Capital Markets To advise PBG s Department of Investment Capital and the separately incorporated PBG Investment Fund Sp z o o the vehicle which holds PBG s shareholdings from equity for debt swaps in financing the acquisition of a new PLN 2.7 mln dyeing facility through the placement of convertible debt with Zwoltext shareholders</p> <p>B 1) To assist PBG in concluding one of the first transactions of this kind in Poland made possible under new legislation in 1995 2) To begin our relationship with PBG s Department of Investment Capital by handling one of their highest priority transactions with a major client where the Bank has a 37% shareholding</p> <p>C None identified yet</p>	<ul style="list-style-type: none"> • Feb 28 met with the Director of the Capital Investment Department and the President of PBG Investment Fund Sp z o o for briefing on the assignment • March 1 reviewed new convertible debt law and began drafting list of legal issues and time sensitive approvals needed • March 4 - Preliminary RFA to Commitment Committee • Discussed timetable legal and shareholder issues with DIK staff by telephone and by meetings in Łódź on March 12 and 18 • March 12 Visited Zwoltext management and obtained detailed financial and market information • April 15 Submitted RFA and Action Plan • Week of April 1 i) assisted PBG to understand pricing and shareholder issues and ii) reviewed first draft of Information Memorandum • May 6 - Shareholders agreed on terms of private placement • May 16 Prepared and delivered presentation on convertible debt offering • May 20 Information Memorandum completed PBG successfully placed convertible debt offering on this date • Current Project Status Completed

III POWSZECHNY BANK GOSPODARCZY (Cont'd)

PROJECT	STAFFING	A ASSIGNMENT B OPPORTUNITIES C OBSTACLES	ACTION/PROGRESS
<p><i>2) Regional Investment Fund - Structuring and Framework</i></p> <p>New Polish venture capital fund to be sponsored by PBG and managed by PBG's wholly owned subsidiary Lodz Management Group</p> <p>Pawel W Gierynski President Lodz Management Group</p> <p>Proposed share capital PLN 50 mln/ PLN 60 mln</p>	<p>Crimson Smith Kania</p> <p>PBG Gierynski Nawrocki</p>	<p>A Capital Markets To advise PBG's Department of Investment Capital and its wholly owned subsidiary Lodz Management Group on the establishment and management of this regionally based venture capital fund PBG intends to be the first Polish bank to sponsor such a fund The EBRD and IFC have expressed interest in participating in the Fund's capital if the planned operations and management capability meet their requirements</p> <p>B To help the Bank define its investment thesis (the initial plan is called a venture capital fund but looks more like a regional restructuring fund) to evaluate how it can strengthen its investment management resources develop marketing memo and hold initial meetings to obtain commitments from multilateral institutions This is currently PBG's highest priority project in the Investment Banking area and is a main reason why they asked to join the Crimson/FSRC program</p> <p>C A Polish law on closed end funds is still being drafted</p>	<ul style="list-style-type: none"> • Week Feb 25 Draft Prospectus received and translated now being reviewed by Crimson team • Feb 28 - At the request of the Director Department of Investment Capital Crimson helped identify some initial broad issues raised by the Draft Prospectus Crimson stressed out that a more detailed review must be made of fund management and earning issues and other areas • Feb 29 - Draft of major legal issues received translated and delivered to PBG • Provided comments on draft prospectus • March 12 - RFA and Action Plan approved pending changes requested • March 14 Met with Fund Manager to discuss major areas of concern • April 1 - Provided detailed commentary on fund prospectus • April 23 - LMG made mock presentation to USAID and FSRC • May 17 - Received approval to continue project from PBG Management Board based on FSRC presentation • Met with IFC and EBRD who soft circled approximately a \$10 mln commitment • Contacted prospective investors • Interviewed and recommended potential legal counsel • Current Project Status Completed
<p><i>3) Regional Investment Fund - Operational Infrastructure</i></p> <p>See above</p>	<p>Crimson Kersis</p> <p>PBG Skrzypkowski</p>	<p>A Organizational Restructuring Assist Lodz Management Group to develop the fund's operational infrastructure including i) investment management and monitoring ii) performance appraisal and iii) organizational chart and job descriptions</p> <p>B Strengthens FSRC's relationship with the Lodz Management Group</p> <p>C None</p>	<ul style="list-style-type: none"> • May 30 Draft materials completed • June 4 Presented and discussed investment procedures and policies reporting templates and information memorandum structure • June 18 Presented and discussed effective appraisal and compensation systems • Current Project Status Completed

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VI GENERAL

OBJECT	STAFFING	A ASSIGNMENT B OPPORTUNITIES C OBSTACLES	ACTION/PROGRESS	NEXT STEPS
WEEKLY COMMITMENT COMMITTEE MEETING	Committee members Kelly, Clark, Kersis USAID Rep Wielkoszewski	Weekly meeting to review primary steps in project development including RFA and Action Plan submission	<ul style="list-style-type: none"> • Feb 15 - First Commitment Committee meeting • Meetings held - March 4, March 12, March 26, April 23, May 15, May 23, June 17, July 18, September, October, November, and December • Action/progress is reflected in this report 	<ul style="list-style-type: none"> • On going RFA and Action Plan submissions
MONTHLY LUNCHEONS	Management team of Participating Financial Institution, Crimson/FSRC Team, USAID Selected Guests	A Invite the management team of participating financial institutions to a working lunch in Crimson's office to provide an opportunity for the Bank staff to meet new members of the FSRC team to discuss potential projects for future cooperation and for general team building and a better understanding of the objectives of our project B Leverage other assistance organizations C Scheduling difficulties particularly in light of USAID commitments	<ul style="list-style-type: none"> • Feb 29 - PBK luncheon was held • Based on success decided to organize similar luncheons on a monthly basis for other Polish banks participating in the FSRC program and include USAID representatives, other contractors, and multilateral organizations • April 17 - BRE luncheon - IFC and IESC attended and made brief presentation 	<ul style="list-style-type: none"> • PBG lunch to be scheduled next • BZ lunch to follow

III POWSZECHNY BANK GOSPODARCZY (Cont'd)

PROJECT	STAFFING	A ASSIGNMENT B OPPORTUNITIES C OBSTACLES	ACTION/PROGRESS
<p><i>5) Regional Investment Fund Off-Shore Investing Basic Tool</i></p> <p>See # 2 above</p>	<p>Crimson Kania Kaminski Szyszka</p> <p>PBG Gierynski</p>	<p>A Develop new Basic Tool guidebook highlighting benefits of off shore investing for Polish entities</p> <p>B Following completion for PBG will be useful document for other clients as well</p> <p>C None</p>	<ul style="list-style-type: none"> ● July 30 Initial meeting with PBG to develop an Action Plan ● Aug 29 - Draft of off shore guidebook submitted for revisions and discussion ● Oct 15 - Completed second draft ● Oct 31- Completed English and Polish versions of offshore guidebook ● Current Project Status Completed
<p><i>5a) Poland</i></p> <p>Lodz Wool fiber articles</p> <p>Dir Antoni Kaczmarkiewicz Tel 042-492-510 Fax 042 491 565</p> <p>Sales 1995 20 mln PLN 1st Trans Value tbd</p>	<p>Crimson Kania Kersis Walkiewicz</p> <p>PBG Skrzypkowski Wierzbicki</p>	<p>A Develop due diligence policies and procedures for target companies</p> <p>B Essential to building successful fund including building sophistication within companies and enhancing LMG's interaction skills with target companies</p> <p>C None</p>	<ul style="list-style-type: none"> ● July 30 Initial meeting with PBG to develop an Action Plan ● Developed Confidentiality Agreements with companies ● Throughout Sept visited for potential investment by fund and completed draft report in preparation for Lodz Investors Day ● Completed due diligence potential investor report and preliminary financial analysis ● Current Project Status Completed
<p><i>5b) Tertex</i></p> <p>Burzenin near Sieradz Knitting products</p> <p>Vorvodship Receiver Andrzej Nowak Tel 043 214 082 Fax 043 214 094</p> <p>Sales 1995 1.2 mln PLN 1st Trans Value tbd</p>	<p>Crimson Kania Kersis Walkiewicz</p> <p>PBG Skrzypkowski Wierzbicki</p>	<p>See above</p>	<p>See above</p>

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III POWSZECHNY BANK GOSPODARCZY (Cont'd)

PROJECT	STAFFING	A ASSIGNMENT B OPPORTUNITIES C OBSTACLES	ACTION/PROGRESS
<p><i>5c) Vitroma</i> Piotrkow Trybunalski Machines for glass industry Gen Dir Włodzimierz Swiatek Tel 044 492 885 Fax 044 492 839 Sales 1995 4 1 mln PLN Est Trans Value TBD</p>	<p>Crimson Kania Kersis Walkiewicz PBG Skrzypkowski Wierzbicki</p>	<p>See above</p>	<p>See above</p>
<p><i>5d) Watma</i> Leczyca Components for clothing textile & other industries Gen Dir Wieslaw Pacholski Tel 0114 2817 Fax 0114 2016 Sales 1995 TBD Est Trans Value TBD</p>	<p>Crimson Kania Kersis Walkiewicz PBG Skrzypkowski</p>	<p>See above</p>	<p>See above</p>

III POWSZECHNY BANK GOSPODARCZY (Cont'd)

PROJECT	STAFFING	A ASSIGNMENT B OPPORTUNITIFS C OBSTACLES	ACTION/PROGRESS
<p>5c) ZUT Zgierz near Lodz</p> <p>Conveyors & transportation machinery</p> <p>Voivodship Receiver</p> <p>Gogdan Wichlinski Tel 042-162-662 Fax 042 190 014</p> <p>Sales 1994 4.2 mln PLN Est Trans Value TBD</p>	<p>Crimson Kania Keris Walkiewicz</p> <p>PBG Skrzypkowski</p>	<p>See above</p>	<p>See above</p>
<p>5f) Elcal Biata Rawska Rawska Electrothermal products</p> <p>Aleksander Wilinski director Tel (0 492) 59 369 Fax (0-492) 59 370</p> <p>Sales 1995 2 mln PLN Est Trans Value 1.0 mln PLN</p>	<p>Crimson Keris Szyszka</p> <p>PBG Skrzypkowski Wierzbicki</p>	<p>See above</p>	<p>See above</p>

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PROJECT	STAFFING	A ASSIGNMENT B OPPORTUNITIES C OBSTACLES	ACTION/PROGRESS
<p><i>5g) Fical Lodz</i> Lodz Electrothermal products Gzegorz Kwiecien Dir Tel Fax Sales 1995 3 5 mln PLN Est Trans Value 1 5 mln PLN</p>	<p>Crimson Kersis Walkiewicz PBG Skrzypkowski Wierzbicki</p>	<p>A Develop due diligence policies and procedures for target companies B Essential to building successful fund including building sophistication within companies and enhancing LMG's interaction skills with target companies C None</p>	<ul style="list-style-type: none"> ● July 30 Initial meeting with PBG to develop an Action Plan ● Developed Confidentiality Agreements with companies ● Throughout Nov visited for potential investment by fund and completed draft report in preparation for Lodz Investors Day ● Project complete

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PROJECT	STAFFING	A ASSIGNMENT B OPPORTUNITIES C OBSTACLES	ACTION/PROGRESS
<p><i>5h) Aparel</i> Topula Krolewska Electrical engineering products</p> <p>Wojciech Zareba Managing Director Tel (0 114) 28 81 Fax (0 114) 45 03</p> <p>Sales 1995 Est Trans Value 1 5 mln PLN</p>	<p>Crimson Kania Szyszka</p> <p>PBG Skrzypkowski Wierzbicki</p>	<p>See above</p>	<p>See above</p>
<p><i>5i) PRIB</i> Pabianice Construction industry</p> <p>Roman Zwigulski Managing Director Tel (0 42) 15 39- 02/03 Fax (042) 15 35 92</p> <p>Sales 1995 Est Trans Value</p>	<p>Crimson Kania Szyszka</p> <p>PBG Skrzypkowski</p>	<p>See above</p>	<p>See above</p>

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III Powszechny Bank Gospodarczy (Cont'd)

PROJECT	STAFFING	A ASSIGNMENT B OPPORTUNITIES C OBSTACLES	ACTION/PROGRESS
<p><i>5j) Madro</i> Lodz Construction Equipment</p> <p>Konrad Wapzko Dir Tel (042) 15 25 16 Fax (042) 15 37 97</p>	<p>Crimson Kersis Dewey</p> <p>PBG Skrzypkowski</p>	<p>See above</p>	<p>See above</p>
<p><i>5k) Techmatrans</i> Radom In house transport systems</p> <p>Tadeusz Smarzynski Dir Tel (048) 313 531 Fax (048) 27 216</p>	<p>Crimson Kersis</p> <p>PBG Skrzypkowski</p>	<p>See above</p>	<p>See above</p>
<p><i>5l) Jotes</i> Lodz Finishing (grinding) machines</p> <p>Stanislaw Mazurszyk Dir</p> <p>Tel (042) 43 24 20 Fax (042) 43 56 97</p>	<p>Crimson Kania Kersis</p> <p>PBG Skrzypkowski</p>	<p>See above</p>	<p>See above</p>

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<p>5m) ZHS Lodz Hydrokinetic transmissions and related</p> <p>Kazimierz Kaniecki Dir Tel (042) 74-96 85 Fax (042) 74 44 05</p>	<p>Crimson Kersis Dewey</p> <p>PBG Skrzypkowski</p>	<p>See above</p>	<p>See above</p>
<p>5n) Lodex Lodz</p> <p>Textile</p> <p>Henryk Ziolkowski Acting Director Tel 84 52 34</p>	<p>Crimson Kersis Dewey</p>		
<p>5o) 4NSA Lodz</p> <p>Piston ring manufacturing</p> <p>Zbigniew Lysik Owner Tel/fax (042) 16 67 46</p>	<p>Crimson Kersis Lesniewski</p>	<p>See above</p>	
<p>5p) Plocka Drukarnia Akcyjensowa Plock</p> <p>Soft printing</p> <p>Jaroslav Matlega Director Tel/fax (024) 62 32 36</p>	<p>Crimson Kersis Lesniewski</p>		

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III POWSZECHNY BANK GOSPODARCZY (Cont'd)

PROJECT	STAFFING	A ASSIGNMENT B OPPORTUNITIES C OBSTACLES	ACTION/PROGRESS
<p>6) PBG Investment Fund Sp z o o</p> <p>A 100% owned PBG S A subsidiary acting as a holding company for the equity positions acquired by PBG from Bank Conciliation Agreements</p> <p>Total portfolio value approx PLN 90 mln</p>	<p>PBG Jozkowiak</p> <p>Crimson Thompson Clark Aniol</p>	<p>A Capital Markets PBG Investment Fund Sp z o o Supervisory Board has asked management to draft guidelines for evaluating Fund performance</p> <p>B PBG Investment Fund Sp z o o is the first dedicated fund management company to be established by a major Polish bank to carry the Bank Conciliation process forward through management and graduation of the acquired companies into the public markets If it is successful other large banks are likely to follow this process</p> <p>C PBG Investment Fund performance is only partially reflective of management performance since its equity holdings were assigned rather than acquired through independent investment decisions</p>	<ul style="list-style-type: none"> • Aug 29 Pres Jozkowiak requested the FSRC to meet with him to introduce this assignment • Weeks Sep 9 16 FSRC survey of management evaluation systems of selected venture capital firms in Poland • Sep 26 FSRC presentation of the framework of a proposed management evaluation system • Week of Oct 7 Draft presentation to PBG Investment Fund Sp z o o Supervisory Board • Current Project Status Completed

III POWSZECHNY BANK GOSPODARCZY (Cont'd)

PROJECT	STAFFING	A ASSIGNMENT B OPPORTUNITIES C OBSTACLES	ACTION/PROGRESS
<p>7) BIALOSTOCKIE ZAKLADY - Project One Bialystock ul Sobieskiego 24D</p> <p>Printing and Production of Books Newsprint and Forms</p> <p>Karol Zaczek Dir</p> <p>Est Sales 1996 15 mln PLN</p> <p>Est Trans Value over 10 mln PLN</p>	<p>Crimson Clark Thompson Michalski</p> <p>PBG Zalorski</p>	<p>A Financial Restructuring Assist bank in its role as adviser to company concerning i) attraction of other additional financial investors for BZG, ii) direct investment by the bank in the company and iii) the company s privatization</p> <p>B First time the bank has been an adviser to a company concerning its privatization rather than an adviser to MoP Compared to MoP very different work products of a significantly greater quality are required to attract financial investors</p> <p>C Long duration of assignment although the project is being scheduled in phases Risk is that BZG s core business is not sufficiently profitable to attract financial investors (remembering the 50% ROE hurdle rate used by most financial investors)</p>	<ul style="list-style-type: none"> • July 16 FSRC and PBG visited company Agreed PBG will prepare RFA and concrete proposal on how to proceed with the company • Aug 15 - Completed literature search of printing industry in Poland • Aug 22 Contacted investment professionals to assess interest of strategic investors in the industry • Sept 11 Met with BZG to discuss the company s selection of PBG as its adviser Agreed upon project objectives scope approach schedule and staffing • Oct 20 Reviewed bank s agreement with BZG • Oct 30 Met with Bank staff to finalize approach and schedule meeting with BZG management • Nov 13/20 - Met with bank staff to review approach presentation • Nov 22 - Present approach to BZG • Nov 26 - Signed engagement letter between bank and BZG • Nov 27 - Commitment Committee decision to close BZG Project I with signing of engagement letter Open BZG II with focus on LBO of BZG

IV POWSZECHNY BANK GOSPODARCZY (Cont'd)

PROJECT	STAFFING	A ASSIGNMENT B OPPORTUNITIES C OBSTACLES	ACTION/PROGRESS
<p>8) BANK PRZEMYSLOWY SA (BP), Lodz</p> <p>Commercial Bank</p> <p>Rafal Nawrocki Director Dept of Investment Capital</p> <p>Total Assets 1995 PLN 172 mln</p> <p>Est Trans Value PLN 14 mln</p>	<p>Crimson Thompson Kaim</p> <p>PBG Nawrocki</p>	<p>A Capital Markets Advise PBG s Department of Investment Capital (DIK) on Due Diligence valuation of Bank Przemyslowy establishing a purchase price and negotiating the acquisition of a majority shareholding</p> <p>B Transaction significant to fostering market demands rather than politically-driven forces as a guide to banks expansion</p> <p>C Involved parties' equity interests need careful evaluation</p>	<ul style="list-style-type: none"> • June 10 Commenced project two for BP an in depth financial review with PBG bankers Formal audit and legal review of documentation also commenced • June 12 On site review of BP key asset accounts • June 13 Presented interim project status report to PBG Management Board • July 15 Completion of Arthur Anderson and ProInvest audits • July 28 - Recommendation to Management Board approved • Offer incorporating Crimson recommendations made to BP by PBG • Aug - Sept - Continued to advise PBG on negotiating strategy • Nov - Offer made to BP shareholders incorporating FSRC recommendations • Project completed

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IV POWSZCZCHNY BANK GOSPODARCZY (Cont'd)

PROJECT	STAFFING	A ASSIGNMENT B OPPORTUNITIES C OBSTACLES	ACTION/PROGRESS
<p>9) <i>OTC Project</i> (please see General section for more info on OTC project)</p>	<p>PBG Jozkowiak Crimson Kelly Thompson Michalski</p>	<p>A Capital Markets Identify one or more companies in the PBG Investment Fund Sp z o o portfolio which are appropriate for a listing on the new OTC market and assist the company in applying for listing and subsequent approval B The OTC legal and regulatory infrastructure has been completed and the successful initial listing of several companies is critical to implementing this project C This is a new market in Poland and prospective listing companies need help in understanding the advantages of listing and the application and approval process As a result OTC market per se is currently an unproven concept</p>	<ul style="list-style-type: none"> • July Aug Initial meetings with OTC Project Director Allison Harwood (Barents Group) to discuss how FSRC can assist in project implementation Agreed to target specific FSRC bank relationships to identify prospective companies for initial OTC listings • Aug 29 Briefed Pres Jozkowiak on OTC possibilities and arranged meeting in Lodz for us to introduce A Harwood • Sep 26 - Together with OTC project staff made presentation to PBG Investment Fund Pres Jozkowiak agreed to review the portfolio of PBG for an appropriate company • Weeks of Sep 30/Oct 7 - Met with PBG Investment Fund to identify potential company(ies) for the first OTC listings • Oct 23 Met with PBG CETO and potential company for listing FON • Phase I completed PBG Investment Capital Department was briefed on characteristics of companies which are candidates for OTC listing and PBG Crimson and one customer met with CeTo for detailed discussions • Crimson will advise PBG on identifying other CeTo prospects on an ongoing basis

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IV Powszechny Bank Kredytowy

Fwa Piwowar
Assistant to the Management Board
ul Nowy Swiat 6/12
00 400 Warszawa
Tel 661 7838 Fax 29 69 88

PROJECT	STAFFING	A ASSIGNMENT B OPPORTUNITIES C OBSTACLES	ACTION/PROGRESS
<p>1) BANK SPOLDZIELCZY TOMASZOW MAZOWIECKI (BSTM) Tomaszow Mazowiecki Cooperative Bank Czeslawa Kabala Dir Tel 045-34-22-37 Total Assets PLN 5 6 mln Fst Trans Value PLN 4 5 mln</p>	<p>Project Manager Kelly PBK Serek Patyra Crimson Thompson Aniol</p>	<p>A Capital Markets Acquisition B The project would assist PBK to further its objective to become a financial institutions specialist Furthermore if the acquisition is completed the economic loss to the community of approximately 75 000 will be avoided and PBK will have an opportunity to increase its market presence in the Mazowsze region C PBK may decide that the financial cost of restructuring and recapitalizing BSTM outweighs the market and community considerations in acquiring this bank</p>	<ul style="list-style-type: none"> • Current Project Status - Recommended • Jan 30 Conducted on-site management review review of assets and liabilities funds flow current operating results and estimated financial results for the current year • Jan 31 Reconstructed balance sheet and profit and loss statements according to IAS standards • Feb 1 Reviewed largest individual loans new loans repayments changes in collateral • Feb 2 Reviewed economic and business outlook for BSTM the Tomaszow Maz economic community and BSTM s current market share and competitive position • Feb 5 - Estimated real net asset value • Feb 6 Recommended a financial audit • Feb 7 - Identified additional risk of large deposit with PBK Bank Lublin • Feb 9 - Delivered memorandum recommending steps necessary to proceed with an acquisition and the financial restructuring necessary to place BSTM on a viable basis • April Reviewed NBP offer of financial incentives for PBK to acquire BSTM and provided final recommendations to PBK • Current Project Status Completed

IV POWSZECHNY BANK KREDYTOWY (cont'd)

PROJECT	STAFFING	A ASSIGNMENT B OPPORTUNITIES C OBSTACLES	ACTION/PROGRESS
<p>2) ELZAB Zabrze</p> <p>Production and Service of POS Cash Registers</p> <p>Jerzy Biernat Pres Tel 032 722 123</p> <p>Sales 1995 22.7 mln PLN</p> <p>Est Trans Value 3.0 mln PLN</p>	<p>Project Manager Kelly</p> <p>PBK Lach</p> <p>Crimson Thompson Kaim</p>	<p>A Financial Restructuring i) Creditor <i>Intermediation</i> complete a financial analysis of current company position and advise on action alternatives and ii) attempt to identify a strategic investor to effect restructuring</p> <p>B This is one of the first consensual restructurings among banks</p> <p>C Decision making on the transaction has been postponed due to a change of project officer at Pioneer Similarly decision- making at PBK has been difficult as a result of staff departures</p>	<ul style="list-style-type: none"> • Feb 27 Obtained PBK's agreement to meet with GBG management • Mar 4 Met with Loan Restructuring director and with Elzab management Reviewed current operating and financial position • Mar 4 - RFA submitted • April 5 Completed financial analysis • April 30 Pioneer Investment Poland indicated interest to invest \$2.75 mln in Elzab • Week May 26 FSRC provided ELZAB with Pioneer's reporting format and helped company financial management complete the information • July/Aug Continued to work with Elzab's Financial Management to develop a financial and business plan for optimal utilization of capital injection • Sept 4 - Business plan presented to potential investors • Updated version of business plan was delivered Pioneer Oct 15th • Nov 15 - Work completed As a result of our activities publicly listed Relpol is rebuying shares from current shareholders Pioneer Municipal Fund is the majority shareholder of Relpol

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IV POWSZECHNY BANK KREDYTOWY (cont'd)

PROJECT	STAFFING	A ASSIGNMENT B OPPORTUNITIES C OBSTACLES	ACTION/PROGRESS
<p>3) ZREMB Orzesze near Katowice</p> <p>Building machinery</p> <p>Dir Brunon Badura Tel 032-1215538 Fax 032-1213211</p> <p>Approx Sales 11.5 mln PLN</p> <p>Approx Trans Size 3 mln PLN</p>	<p>Crimson Kaim</p> <p>PBK/GBG Nowak</p>	<p>A Capital Markets Assist in identifying a strategic investor to support in the process of privatization through liquidation and subsequent sale of the company</p> <p>B Opportunity to extend product line from building machinery to concrete pavement</p> <p>C Additional source of financing is required as current joint venture partner cannot fully finance the enterprise with its own capital Due to present poor condition of the building industry in Poland this project may face challenges beyond its control</p>	<ul style="list-style-type: none"> • Meetings with Mr Badura held on June 20 July 10 • Meeting with Department Director of Ministry of Building and with Mr Badura on August 14 • August - information memorandum distributed to potential investors • Negotiations with interested investors about forming a consortium to privatize the enterprise (Pioneer Investment Poland and Polish Finnish Joint Venture Company) • Looking for other investors sent information memorandum to Energoinvest Sp z o o and UTEX Sp z o o from Rybnik near Katowice (both were selected in cooperation with WGK) • Contacts with Lang & Associates Inc (US company) President of L&A will try to interest some American investors • Contacts with WSE company Budimex S A who indicated no interest in opportunity • Found potential investor an Italian company Velo through database search After initial consideration turned down project • Urząd Wjędzki in Katowice took over the case from the Ministry of Building Zremb must wait for UW to accept a domestic investor before further involving PIP as a second investor • Feb 28 Phase I completed potential investor found further action pending voivodship decision on privatization

V BANK PRZEMYSLOWO-HANDLOWY

Irena Komorowska
Member of the Management Board
ul. Na Zjezdzie 11
00 527 Krakow
Tel. 48 12 187 110

PROJECT	STAFFING	A ASSIGNMENT B OPPORTUNITIES C OBSTACLES	ACTION/PROGRESS
<p>1) HUTA OSTROWIEC SA Ostrowiec Swietokrzyski</p> <p>Steel Manufacturing</p> <p>Pres Jozef Krekora</p> <p>Sales 1995 543.3 mln PLN</p> <p>Assets 1995 486.5 mln PLN</p> <p>Est Trans Size TBD</p>	<p>Crimson Kelly, Clark Kaim</p> <p>Coopers & Lybrand Dwornik Zareba</p> <p>BPH Sobala Folta Bieronski Stadek</p> <p>Huta Ostrowiec Krekora Zywczyk</p>	<p>A Operational Restructuring Project 1a) product cost accounting b) profit and cost centers and c) capital project evaluation Projects b) and c) will commence simultaneously following completion of a)</p> <p>B Transaction of significant importance to BPH which owns 7% of shares and has 88 mln PLN loan exposure Opportunity for significant skill transfer to bank staff working on the project as project will be used by Problem Loan Dept as a template for evaluation and remediation of other problem loan clients to BPH</p> <p>C Working on a project in the steel industry is well known to be highly resource and time intensive</p>	<ul style="list-style-type: none"> • Visited company with bank professionals on February 28 • Submitted RFA and Action for April 17 Committee Meeting • USAID Washington raised questions relating to project feasibility and requested cost sharing BPH indicated plans to continue with project regardless of USAID funding decision • May 22 - Meeting with BPH to discuss project scope and status • May 31 - Reviewed USAID decision with bank • Accepted C&L's proposal outlining C&L's involvement in the project • June 20 - Met with C&L to develop a time and responsibilities schedule and short term work plan • July 22 - Developed detailed study plan obtained C&L concurrence with same • July 23-24 - Met with project sponsors (including HO Pres and BPH Management Board Member) reached agreement on study objectives scope approach schedule and staffing

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V BANK PRZEMYSLOWO-HANDLOWY (Cont'd)

PROJECT	STAFFING	A ASSIGNMENT B OPPORTUNITIES C OBSTACLES	ACTION/PROGRESS
<p>1) <i>HUTA OSTROWIEC SA - Continued</i> Ostrowiec Swietokrzyski</p> <p>Steel Manufacturing</p> <p>Pres Jozef Krekora</p> <p>Sales 1995 543.3 mln PLN</p> <p>Assets 1995 486.5 mln PLN</p> <p>Est Trans Size TBD</p>	<p>See Above</p>	<p>See above</p>	<ul style="list-style-type: none"> • Aug 1 Team meeting to finalize work assignments • Aug 19 27 - Eight meetings with HO staff (approx 50 people total) concerning cost/revenue areas • Aug 28 - Team meeting to agree on methods to analyze questionnaires • Aug 30 Collection of 40 detailed questionnaires • Sept 5 Distributed survey to 150 managers • Sept 8 Compiled results of 50 questionnaires • Sept 27 All surveys returned Initial results reviewed by Kaim • Oct 1 Team meeting with BPH to review project progress • Oct 17 Supervisory Board meeting highlighting project • Nov 4 - Team meeting to discuss opportunities for improvement recommendations and Phase II plan • Nov 6 Presentation to sponsors of Phase I conclusions recommendations and overall approach for rest of Phase I and Phase II • Nov 20 Approval for rest of Phase I • Nov 28 Revised work plan for end of Phase I • Dec 9 Met with HO management and staff to discuss proposal • Dec 12 Completed first draft of Phase II work plan for project sponsors met with potential Phase II consultants and discussed project progress with bank • Feb 28 - Phase I completed new responsibility center structure established final acceptance proposal pending completion of related work by other consultants

V GENFRAI

PROJECT	STAFFING	A ASSIGNMENT B OPPORTUNITIES C OBSTACLES	ACTION/PROGRESS
1) <i>PRESENTATION TO PBA'S MANAGEMENT BOARD</i>	Crimson Kelly Thompson	Coopers & Lybrand requested Crimson's assistance in making a presentation on previous privatization recommendations to PBK's current Management Board	<ul style="list-style-type: none"> • Requested information from C&L on their presentation plans • Event held on March 7 • Current Project Status Completed
2) <i>PIONEER INVESTMENT POLAND ("PIP")</i>	Crimson Szafranski Kaim	FSRC met with PIP to explain the scope of our project and determine potential areas for cooperation. PIP may refer transactions to the FSRC or could review FSRC transactions with a view towards potential investment (up to \$30 mln)	<ul style="list-style-type: none"> • May 24 Met with PIP
4) <i>CENTRAL EUROPEAN RATING AGENCY</i>	Crimson Kelly Thompson Kaim	Review of business plan of CERA a project funded by USAID. Make commentary to info memorandum within constraints of CERA project	<ul style="list-style-type: none"> • May 22 Presented business plan • June 4 - Met with CERA staff to present extensive comments
5) <i>PIET</i> Gerald Martin	Crimson Kania Kersis	Identified and recommended Polish banker for inclusion in US training program and advise on optimal project schedule	<ul style="list-style-type: none"> • July 26 - Sent memo to BRE President regarding program and requested input for the BRE participant's schedule • July 29 Met with PIET and BRE program participant Rostworowski to discuss program objectives • Sept - Rostworowski went to the U.S. for three weeks and visited financial institutions in New York and San Francisco very pleased with his experience
6) <i>Wszystka Szkoła Biznesu (W SB-NLU) Nowy Sącz</i> Panel Discussion	Kelly with participation of all Crimson Staff Hans Ahsen Prof of Int'l Law and WSB NLU Students	<p>A FSRC staff members discussed a number of issues related to financial intermediaries in Poland</p> <p>B An opportunity to help develop the next generation of Polish bankers</p> <p>C None</p>	<ul style="list-style-type: none"> • Nov 15 - Classmates of S Szyszka junior financial analyst at Crimson visited the FSRC. The students spent two hours meeting with FSRC staff

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V GENERAL (cont'd)

PROJECT	STAFFING	A ASSIGNMENT B OPPORTUNITIES C OBSTACLES	ACTION/PROGRESS
<p>3) <i>OTC Project</i></p> <p>Allison Harwood</p> <p>(Also see PBG section OTC Project for more information)</p>	<p>Crimson Kelly Thompson Michalski</p>	<p>A Capital Markets At request of USAID Poland assist the OTC Project with marketing to financial institutions and prospective issuers/listing companies</p> <p>B The OTC legal and regulatory infrastructure has been completed and the successful initial listing of several companies is critical to implementing this project</p> <p>C This is a new market in Poland and prospective listing companies need to better understand the advantages of listing</p>	<ul style="list-style-type: none"> • July 16 Initiated meeting with Project Director Allison Harwood (Barents Group) to discuss how FSRC can assist in project implementation • Aug 14 Reviewed OTC Project implementation plan with A Harwood and agreed to target specific FSRC bank relationships to identify prospective companies for initial OTC listings • Aug 24 Completed review and critique of OTC marketing materials • Aug 29 Briefed Pres Jozkowiak PBG Investment Fund on OTC possibilities and arranged introductory meeting in Lodz for A Harwood and OTC Project Marketing team • Oct 23 Meeting with FON S A (Fabryka Osł Napędowych S A) Radomska OTC team and PBG for presentation by CeTO management • As noted above Phase I completed PBG Investment Capital Department was briefed on characteristics of companies which are candidates for OTC listing and PBG Crimson and one customer met with CeTO for detailed discussions • Crimson will continue to advise PBG on identifying other CeTO prospects on an ongoing basis

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CRIMSON CAPITAL

Financial Services Resource Center

Warsaw, Poland

Outline

- *Project objectives and goals*
- Project design
- Bank relationships
- Results to date
- Five case studies
- Appendices

The FSRC Project has two key objectives ...

- Prepare Polish banks to fill their role as the basic transmission vehicle for the flow of capital into thriving and growing private sector companies
- Help sustain and stimulate the growth of Polish private sector enterprises and (in selected circumstances) state-owned-enterprises, thereby benefitting the Polish economy as a whole

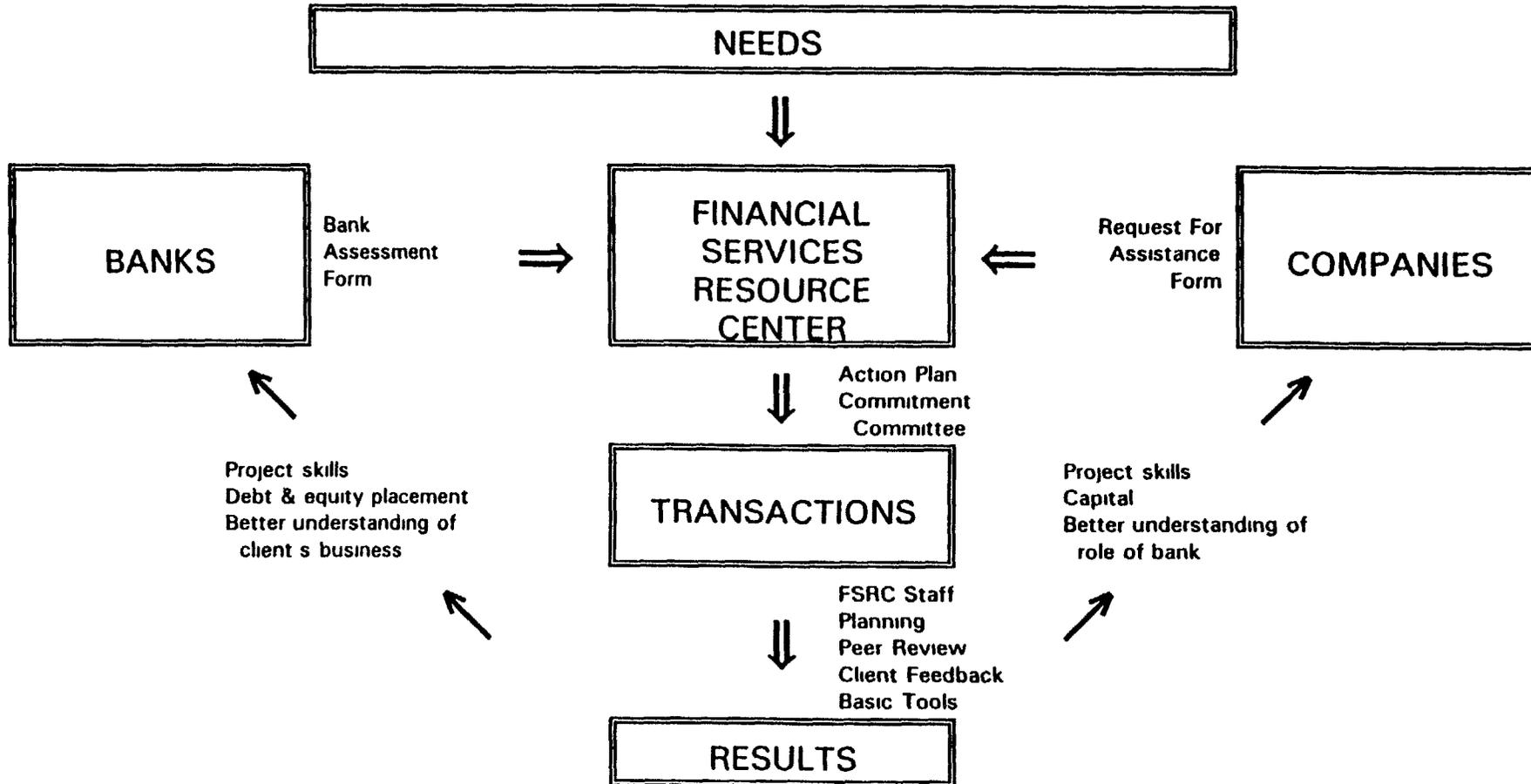
... and three specific project goals for promoting the development of financial institutions through hands-on transaction assistance

- Institution building
 - Develop indigenous corporate finance functions in selected Polish banks
- Training
 - Improve corporate finance skills of Polish commercial and investment bankers through hands-on transaction assistance
- Maximize USAID impact
 - Leverage complementary USAID Assistance Programs
 - Multiply the impact of USAID resources in Poland

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-
- Project objectives and goals
 - *Project design*
 - Bank relationships
 - Results to date
 - Five case studies
 - Appendices

Project design is driven by the needs of Polish financial institutions and the demands of Polish enterprises



For Polish financial institutions, these needs include:

- The overall need to assist the development of a competitive, efficient private financial sector and to sustain the development of and stimulate the growth of the economy as a whole
- Preparation to fulfill the capital intermediation requirements of the private sector and suppliers of capital
- Hands-on transaction assistance

For Polish companies these demands include:

- Better access to capital
- Access to higher quality capital structuring expertise and advice
- Note that in 1994 the private sector:
 - Accounted for more than 56% of GDP, up from only 9% in 1989
 - Generated an increase of 22.7% in industrial output, in contrast to the 5.8% increase in output registered by State-Owned-Enterprises
 - Employed approximately 33% of Poland's work force

The FSRC accomplishes its objectives and realizes its goals through:

- Sourcing transactions through Polish financial institutions and, to a limited extent, through pro-active contacts with the business community

- Committing financial institutions to the FSRC through the Bank Qualification Process

- Engaging companies through both their obligations to financial institutions and their involvement in the company Request For Assistance Process

- Ignoring elements of the enabling environment which cannot be controlled, such as.
 - A dynamic political environment, or

 - The politicized privatization process

Continued ...



The FSRC accomplishes its objectives and realizes its goals through:

(Continued)

- Co-opting both the participating financial institution and the company by their involvement in and adherence to the Action Plan Process
 - The bank and the company both expend resources during project conception and planning
 - FSRC resources are employed in execution rather than conception and planning, thereby maximizing the effectiveness of the project

The Bank Qualification Process ensures that the FSRC is engaged in institution building and training of Polish bankers; the Process:

- Secures the commitment of the financial institution to the FSRC
- Requires significant strategic self-evaluation by senior financial institution executives
- Documents the beginning of a lengthy and time consuming process
- Encourages long-term participation, rather than one-off transaction assistance
 - The objective is a minimum of five client enterprises for FSRC assistance from each bank
 - Assistance rendered to a smaller number of companies would not facilitate knowledge transfer to the banks

Continued ...



The Bank Qualification Process ensures that the FSRC is engaged in institution building and training of Polish bankers; the Process: *(Continued)*

- Acts to increase the likelihood that FSRC recommendations will be implemented and the probability of success of FSRC transactions
 - Successful transactions, in turn, increase the commitment of the financial institution to the development of investment banking and financial intermediation expertise

- Functions as a Quality Assurance and Control mechanism
 - Assures quality through the above mechanisms
 - Controls quality by allowing USAID and the FSRC to match the strategic developmental needs of the financial institution with proposed enterprise assistance

The final decision to accept a bank is made with USAID

The key element of the Bank Qualification Process is the Bank Assessment Form

- This form allows the FSRC to understand the development needs of the applicant bank and its commitment to participating in projects

- The Form provides:
 - Status of the bank's corporate finance capabilities, including a description of related services currently offered by the bank and the bank's strategy for developing those services

 - The strengths and weaknesses related to professional skills, experience, and knowledge of corporate finance associated staff

 - The professional weaknesses that are to be addressed by FSRC assistance

Continued ...

The key element of the Bank Qualification Process is the Bank Assessment Form (Cont'd)

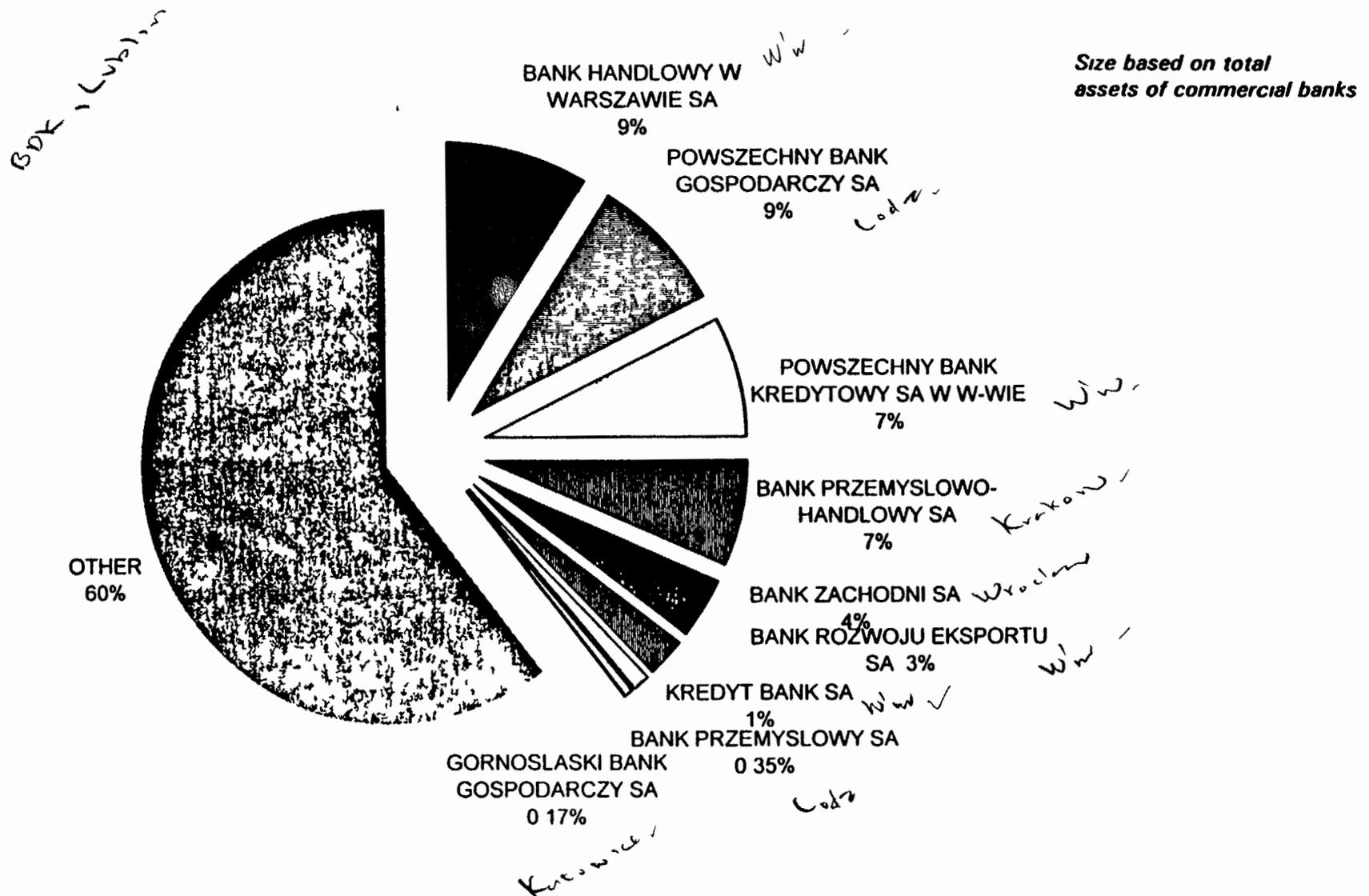
- The name of a member of the bank's management board who will act as principal liaison with USAID and the name of a senior member of the bank's investment banking department who will be responsible for managing FSRC assistance
- A statement that the bank will provide work space for the FSRC team to work side-by-side with bank staff
- The names and resumes of each participating bank staff member that will be committed to work under an Action Plan
- A description of potential transactions for which the participating bank is seeking FSRC assistance

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The Bank Qualification Process has ensured the FSRC:

- Works with banks who are committed to the project
- Works with a good mix of bank types
- Works with banks from both Warsaw and other regions

The process has permitted the FSRC to work with important Polish banks



In addition, the Bank Qualification Process has ensured the FSRC works with a good mix of bank types and locations to maximize the FSRC's impact

MIX OF BANK TYPES

NOW PRIVATE, PREVIOUSLY STATE-OWNED BANKS	STATE-OWNED BANKS	PRIVATE BANKS
<ul style="list-style-type: none"> ■ Bank Rozwoju Eksportu ■ Bank Przemysłowo-Handlowy 	<ul style="list-style-type: none"> ■ Powszechny Bank Kredytowy ■ Bank Zachodni ■ Powszechny Bank Gospodarczy 	<ul style="list-style-type: none"> ■ Kredyt Bank

MIX OF BANK LOCATIONS

WARSAW	OTHER REGIONS
<ul style="list-style-type: none"> ■ Powszechny Bank Kredytowy ■ Bank Rozwoju Eksportu ■ Kredyt Bank 	<ul style="list-style-type: none"> ■ Bank Przemysłowo-Handlowy - Upper Silesia ■ Bank Zachodni - Lower Silesia ■ Powszechny Bank Gospodarczy- Central Poland



**USAID FINANCIAL SERVICES RESOURCE CENTER ("FSRC")
BANK ASSESSMENT**

I Objectives

The FSRC is intended to assist Polish financial institutions stimulate the stabilization restructuring and capitalization of Polish enterprises. Realization of this goal will contribute to sustaining the development of and promoting the further growth of Polish enterprises and the economy as a whole. To this end among other things the objectives of the FSRC are centered upon:

- Assisting the development of corporate finance functions in selected Polish banks so as to increase the ability of these institutions to match users and providers of capital and to improve the capability of these banks to sustain and support Poland's continued transformation to a market economy
- Improving the corporate finance skills of Polish commercial and investment bankers through hands-on advisory and transaction assistance to Polish enterprises so that these bankers may gain the skills to act independently as financial intermediaries and effectively compete with foreign financial institutions and
- Increasing the opportunity for greater equity and debt investment (both domestic and foreign) in Polish enterprises so that private enterprises may flourish and help to stabilize the economy as a whole

Because Polish financial institutions will form the foundation upon which the program's performance is based the FSRC requires all prospective financial institution participants to submit an assessment of their overall corporate finance capabilities identifying corporate finance training requirements and the banking professionals who will be committed to working with the FSRC team. This information will serve as the criteria upon which the FSRC team and US-AID will determine whether assistance can be provided to the applicant financial institution.

A. Identification	
Participating Bank Name and Address	Bank Przemysłowo-Handlowy S.A (BPH or the Bank) ul. Na Zjeździe 11 30-527 Kraków Capital Investments Department ul. Świętego Tomasza 43 31-027 Kraków
Current Ownership Structure Please List Interests in Excess of 5 Percent	BPH is a private bank owned by State Treasury - 46.5% Bank Śląski - 4.8% EBRD - 15.1% WBK - 2.5% ING Bank - 5.3% Other (Employees public float) - 21.2% Daiwa - 4.6% BPH is trading on the Warsaw Stock Exchange

B. Proposed FSRC Affiliation	
Management Board Member Acting as Primary Contact including Title and Communications Please Attach Resume	Irena Komorowska - Member of the Management Board tel (48 12) 187-110
Primary Objectives of FSRC Assistance	Solicitation of foreign investors Improvement and development of investment banking expertise Introduction of new investment banking services/products Assistance with enterprise restructurings
Manner in which the FSRC Team will Assist the Bank to Accomplish these Objectives Please provide examples from each of the three function types of assistance i) capital markets (i.e. soliciting foreign investors for the bank's clients) ii) operational restructuring (i.e. improving clients internal financial management controls) and iii) financial restructuring (i.e. restructuring work for the bank's problem loans)	i) Preparation of companies (analysis information memorandum, presentation) for and solicitation (contact, marketing, negotiations, sale) of foreign investors. Initially for ROMET (a bicycle company) and then for other enterprises with similar needs. ii) Provide assistance to enterprises in BPH's portfolio including cash and capital management and improvement of financial control and planning. Organizational, operational and general management improvements. Development of strategies, business plans and their implementation. Huta Ostrowiec would be the initial project for the BPH/FSRC. iii) Financial restructuring of enterprises which are in BPH's loan and equity portfolios. Debt for equity swaps. Sales of BPH's equity stakes. Bank reconciliations. Initially assist with Huta Ostrowiec and Ponar-Zwicz.

II. Bank Overview

A. Available Financial Information. Historical and Projected (mln PLN)	Year 1991	Year 1992	Year 1993	Year 1994	Interim Period for the first 9 mos. of 1995
Total Deposits	833	1 462	1 855	2 675	3,521
Total Gross Loans	930	1 100	1 077	1 613	2,285
Irregular Loans		240	292	321	309
Total Assets	1 517	2 417	3,064	4,239	5,674 as of 6/30/95
Total Own Funds	94	120	362	432	518
Net Interest Income	236	167	221	382	307
Income from Restructuring Bonds				-	
Fee Income	11	16	35	65	50
Loan Loss Provisions	179	200	179	161	146
Pre tax Income	14	88	190	279	278
Net Income	(20)	27	114	179	185
Return on Equity	(39.2%)	52.9%	22.4%	35.1%	35.6%
Return on Assets	(1.3%)	1.1%	3.7%	4.2%	3.3%

B. Departments	Number of Professionals	Months/Years of Operation	Management Board Representative
Capital Markets / Investment Banking	23	5 years	Irena Komorowska
Brokerage / Underwriting	223	4 years	Irena Komorowska
Credit / Corporate Loan	22	6 years	Irena Folta
Loan Restructuring	20	3 years	Irena Komorowska

III Departmental Profiles

An awareness of the activities of separate bank departments will facilitate a better understanding of the organization as a whole. In the section which follows the FSRC requests that the participating bank provide a description of its existing capabilities and indicate where further skill level improvements are deemed to be necessary. The FSRC will give preference to the participation of banks that have developed discrete investment banking departments as well as to those that have developed a strategic plan for the implementation of such services as such actions evidence commitment to the activities upon which the FSRC will assist.

To supplement the information provided below please attach if available a copy of the bank's strategic plan relating to its investment banking activities. Additionally please attach a copy of a bank organization chart which will assist to illustrate to the FSRC how the Advisory Team will work with the respective departments. Finally as a primary FSRC objective is to improve the corporate finance skills of Polish bankers through their direct work on FSRC-assisted transactions it is important to assess individual experience prior to commencing the cooperation. Therefore please attach resumes for all professionals listed in this form.

A. Capital Markets / Investment Banking	
1 Evolution of Department including Changes in Focus or Structure	Capital Investments Department (CID) was created in December of 1990. In 1991 the Brokerage Department was separated from the CID and in 1992 the Department of Forex Lending was separated. Currently the main business of CID is to implement BPH's investment strategy with regard to acquisitions of equity stake in companies, and the subsequent monitoring of the investments. The department is also increasing its investment banking and corporate finance capabilities.
2 Describe Formal Training Delivered at the Bank, if any	All professionals have participated in numerous seminars and training courses related to capital markets, corporate finance and financial management through internal training and outside programs at various banking schools and business academies.
3 Primary Strengths Weaknesses	Strengths: Well educated and experienced staff; experience with clients; experience in privatization processes of state-owned enterprises. Weaknesses: Lack of well established and formulaic procedures which would assist in acquiring information (financial, marketing, operational) from the Bank's clients.
4 Representative Transactions Undertaken within the Last 12 Months	Providing guarantees. Numerous transactions involving restructuring of enterprises in the Bank's equity portfolio.
5 Primary Objectives for the Next 12 Months	Improve financial analysis and evaluation skills and apply them to private and state-owned companies which are not publicly traded on the stock exchange. Improve assistance in offering commercial paper, debt securities and equity securities.
6 Primary Objectives for the Next 3 Years	Create independent investment banking department. Increase restructuring activities involving companies in the Bank's equity and debt portfolio. Expand and improve services including privatization of state-owned enterprises, marketing of securities (offerings), mergers and acquisitions, financial restructuring and project financing.
7 Specific Areas of Training and Expertise Required	Skills in selling (soliciting investors, offering securities) and negotiations. Methodology and procedure in company analysis.

Department Professionals to Work with FSRC Staff	Title	Area(s) of Expertise	Years of Experience
Mirosław Sikora	Director / Main Specialist	Privatization and corporate finance.	5
Robert Flak	Specialist	Privatization and corporate finance.	5
Barbara Seremet	Banking Assistant	Privatization and corporate finance.	3
Adam Weglarz	Specialist	Privatization and corporate finance.	4

B Brokerage / Underwriting	
1 Evolution of Department Including Changes in Focus or Structure	From 1991 until 1994 the brokerage department was a part of the Capital Investment Department. In January 1994 the Brokerage Department was separated and began operations as an independent department of the Bank. 94 employees were hired in December 1994 and brokerage services were offered at most of the BPH branches. 287 people were employed by the department in January 1995 but that number was decreased to 225 employees by December 1995. Money-losing Brokerage Offices were and continue to be slowly closed down.
2 Describe Formal Training Delivered at the Bank, if any	The employees continuously participate in internal and external training programs related to Capital and Money Markets including topics in: <ul style="list-style-type: none"> - computer/information technology - foreign languages - taxes accounting insurance, leasing etc
3 Primary Strengths / Weaknesses	Strengths: young dynamic staff function within large strong bank with significant capital, access to capital Weaknesses: lack of experience, lack of precedent transactions in the securities markets
4 Representative Transactions Undertaken within the Last 12 Months	The department has completed transactions typical of brokerage activities: <ul style="list-style-type: none"> - equity trading on the exchange - equity offering on the primary market - trading in Treasuries and mutual funds
5 Primary Objectives for the Next 12 Months	<ul style="list-style-type: none"> - increase current operations increase market share - develop and participate in trading of the NIF certificates - develop and participate in over the counter trading, including the C-TAS company as an example
6 Primary Objectives for the Next 3 Years	<ul style="list-style-type: none"> - hold significant market share on the Polish securities market - develop money and portfolio management capabilities - provide professional investment advice and recommendations
7 Describe Research Capability and Materials Produced, if any	The department has the capability to perform fundamental, technical and portfolio analyses as well as macroeconomic analysis and other analysis based on macro- and microeconomic developments and assumptions.
8 Specific Areas of Training and Expertise Required	Computer information technology skills, economic analysis, offering of securities (marketing) to the public markets, fund management, investment advice and recommendations.

Department Professionals to Work with FSRC Staff	Title	Areas of Expertise	Years of Experience
Piotr Kosciukiewicz	Director		

C Credit / Corporate Loan	
1 Evolution of Department Including Changes in Focus or Structure	The Credit/Corporate Loan Department has been functioning since 1989 when BPH was created by separation from the National Bank of Poland. In 1991 the Department was divided into Department Serving Individuals (loans and credits) and Risk Management Department (servicing enterprises) in other words Corporate Loan Department. At the beginning of 1992 the Commercial Credit Department was created and the Risk Management Department was divided into Regular Credits (risk level I-III) and Irregular Credits, or 'High Risk' (risk level IV-V). In 1992 Trouble Loan Department was established to deal specifically with difficult, irregular credits (risk level III and IV).
2 Describe Credit Analysis Training Program if Any	The employees are trained in - analysis of credit risk training by The Polish Investment Company plc - analysis of credit risk, training by ABN AMRO - financial analysis debt capacity legal securitization of loans - programs at the Banking School - valuation and analysis of investment project cash flow analysis of leasing enterprises - internal and external education
3 Outline Loan Monitoring Methodology	Monthly and continuous monitoring of all corporate loans using program ZEWNET (using industry type risk levels type of credit financial data, debt levels collateral etc. as parameters) Form B-6 a monthly analysis of all clients whose credits are classified as irregular (below standard, doubtful lost) and monitoring of reserve amounts created to cover these exposures
4 Primary Strengths / Weaknesses	Strengths qualified and dynamic staff solid and tested credit procedures ability to continuously monitor the credit portfolio Weaknesses lack of well established debt/credit limits for clients lack of well established Bank's exposure limits to specific industries to limit industry specific risk
5 Industry and/or Geographic Lending Concentrations	BPH was forced to take certain loans/clients in 1989 when it was separated from the NBP which mainly included clients in steel mining and trading industries Regional specialization depends on industry in specific geographic locations. As such BPH is heavily exposed to mining, especially in branches operating in the Silesia region. It is the intention of BPH to expand its operation to serve all of Poland and increase its exposure to the shipping ship building and food industries
6 Representative Credits Extended within Last 12 Months	The credits extended by BPH are driven by client demand. As such most credits extended during the last year have been short term (working capital loans credit lines) financing current business and operating needs of the enterprises for the period of up to one year
7 Primary Objectives for the Next 12 Months	- establish credit policy regarding the mining industry - create capability to value and analyze leasing companies and expand into that sector - establish procedures assessing the Bank's risk exposure related to debt instruments
8 Primary Objectives for the Next 3 Years	- establish credits limits for specific industries and clients to limit the Bank's exposures and keep a well diversified portfolio - continue improvement of credit procedures to become more competitive in winning clients while limiting the Bank's risk exposure
9 Specific Areas of Training and Expertise Required	Education and training in general banking risk and exposure, portfolio diversification and management, experience in foreign western banks

Department Professionals to Work with FSRC Staff	Title	Areas of Expertise	Years of Experience
Lidia Ptak	Main Specialist	Management of banking risk and exposure	5

D Loan Restructuring	
1 Evolution of Department Including Changes in Focus or Structure	In 1992 the Risk Management Department was divided into two teams including the Troubled Loan Department (Work-Out Department or Loan Restructuring Department) which took over the irregular troubled loans portfolio. The goal of the department was recovery of maximum amounts possible from loans classified as doubtful or lost. Since 1993 the principal function of the department became banking and enterprise restructuring. Currently the department has three distinct groups: vindication, restructuring and monitoring of bank conciliation.
2 Describe Formal Training Delivered at the Bank, if any	Employees are continuously trained in: <ul style="list-style-type: none"> - risk management - cash flow and capital management - time value of money - collateral/loan securitization - financial analysis of enterprises
3 Primary Strengths / Weaknesses	Strengths: ability to recover certain loans or parts thereof which have been classified as doubtful or lost; enterprise turn-around capabilities; elimination of troubled loans from the credit portfolio; improvement of the Bank's financial stability. Weaknesses: time consuming long-term procedures involved in restructuring; lack of well-established procedures and legal basis; lack of macroeconomic/market stability i.e. inflation, and quality of the management at the troubled enterprises.
4 Representative Transactions Undertaken within the Last 12 Months	
5 Primary Objectives for the Next 12 months	<ul style="list-style-type: none"> - continue vindication procedures and improve the Bank's efficiency and experience - initiate innovative restructuring procedures for troubled enterprises - monitor and oversee restructuring processes and the results - improve methods, experience and the overall results of the department
6 Primary Objectives for the Next 3 years	<ul style="list-style-type: none"> - improve procedures applied by the Bank's branches - decrease the troubled loan portion of the Bank's loan portfolio - establish and implement new organization structures to increase the effects, efficiency and results of restructurings - continue training of the staff
7 Definition of Irregular Loan	Loan is judged to be irregular in the event that the enterprise is more than a month late with the principal or interest payment due, or in the event that the debtor's economic/business/financial situation is judged to create a risk in timely loan repayments in the future.
8 Procedure for Qualifying Loan as Irregular	Based on analysis of enterprises and assessment of risk level. The bank uses a point system judging the economic and financial situation of the enterprise, payment history and debt levels.
9 Approximate Number of Workout Loans and Restructuring Cases	As of 12/31/95 BPH had 1,100 loans classified as doubtful or lost. Of those 60% were in vindication, 30% in restructuring and 10% in need of restructuring.
10 Specific Areas of Training and Expertise Requested	<ul style="list-style-type: none"> - corporate organization and management - financial management, financial restructuring - analysis of investments and project financing

Department Professionals to Work with FSRC Staff	Title	Areas of Expertise	Years of Experience
Magdalena Lesnicka	Main Specialist	Restructuring, debt conciliation	4
Henryk Bieronski	Main Specialist	Restructuring, debt conciliation	4

IV Financial Service Activities

The FSRC will provide technical assistance to Polish banks on the basis of Polish enterprise demand for a specific menu of transaction-oriented services and also on the basis of how those transactions will strengthen the capital markets operational and financial restructuring functions within the bank. Please provide in the chart below an indication of the status of the bank's overall corporate finance capabilities in each of the functions listed

A. Current and Potential Transaction Types					
<i>For Each Activity</i>					
<i>Indicate Transaction Experience where</i>		<i>and</i>	<i>Indicate Strategy for Each Transaction Type where</i>		
0 - No Experience (0 trans)			Y - Yes Part of Bank Strategy		
1 - Minimal Experience (1 trans)			V - No Development Plans		
2 - Moderate Development of Capability (2-3 trans)					
3 - Successful and Ongoing Transactions (>4 trans)					
Capital Markets		Operational Restructuring		Financial Restructuring	
Corporate Advisory Service		Financial Management Controls		Budgeting and Cash Flow Reporting and Forecasting	
Evaluation of Capital Sourcing Alternatives	2 Y	Budgeting and Cash Flow Management Methods	0 N	Budgeting and Cash Flow Reporting Systems	1 Y
Conception Development of Alternative Capital Structures	2 Y	Business Plan Preparation	1 N	Budgeting and Cash Flow Forecasting Methods	1 Y
		Balance Sheet Portfolio Management	0 N		
		Information System Audit	0 N		
Corporate Finance		Sales / Marketing/Distribution		Turn-Around Management Techniques	
Private Placements	0 Y	Product Line / Service Review	0 N	Receivables and Payables Collection and Settlement	0 N
Initial Public Offerings	3 Y	New Product Line / Service Strategic Review	0 N	Product Margin Analysis	0, Y
Public Offerings of Debt and Quasi-Debt Securities	0 Y	Competitive Analyses of Sales and Marketing Organizations	0 N	Cost Reduction and Expenditure Deferral	0 Y
Mergers and Acquisitions		Operations and Production		Creditor / Debtor Intermediation	
Representing Seller of Enterprise	2 Y	Production Efficiency Reports	0 N	Creditor Intermediation	0, Y
Representing Buyer of Enterprise	0, Y	Technical Audits of Production Facilities	0 N	Debtor Intermediation	0, Y
Representing Seller of Minority Interest	0, N	Quality Control and Engineering	0 N		
Representing Buyer of Minority Interest	0, N				

B. Comments on Any of the Above Activities

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V Other Issues

In objective of the FSRC is to solicit and coordinate assistance from other assistance projects to help participating banks implement organizational improvements on behalf of Polish enterprises. Please provide below i) details of previous relationships of the bank with other donor organizations multilateral institutions or twinning banks including a brief outline of non FSRC assistance history and ii) any donor programs from whose assistance it is believed the bank could benefit

B Non-FSRC Assistance	Other Donor Organizations Multilateral Institutions, or Twinning Banks
Historical Relationships	
a Name of Institution	1 a ABN AMRO
b Length of Relationship	b Approximately two years
c Specific Objectives	c Improve structure and procedures to reach western European banking standards
d To What Extent Were These Objectives Met?	d Significant improvement in BPH's operations
	2 a Barents Group - USAID
	b Two years
	c Develop investment banking capabilities prepare the organizational structure for the planned development of investment banking activities
	d Initial (rudimentary) investment banking skills were established
Potential Relationships	
Name of Donor Program(s)	1 Financial Services Resource Center (Crimson Capital)

As a part of the FSRC program the Advisory Team will have at its disposal a variety of experts including industry and functional (i.e. restructuring) specialists. In order to maximize the effectiveness of these resources and make available the appropriate personnel please detail below any industry or geographic concentrations of the bank's client companies or of those companies which the bank will likely attempt to assist. Furthermore the Advisory Team may establish FSRC centers outside of Warsaw. In order to assist in assessing the demand for these additional resources please respond to the following

A. Industry and Geographic Issues	Current	Planned
Industry Concentrations	Public transportation, mining, steel	Continue in current businesses and increase exposure to the shipping, ship building, food and metal industries
Geographic Concentrations	Throughout Poland but most significant presence in the Cracow region and in Silesia	Increase presence throughout Poland

Precedence will be placed on financial institutions which have the ability to offer the Advisory Team the resources to conduct on-site work with bank personnel so as to facilitate the transfer of skills and knowledge to the bank's staff. To this end please indicate the bank's ability to provide the Advisory Team with the following

C On-site Facilities			
Office Work Space	<input checked="" type="checkbox"/>	Fax Machine	<input checked="" type="checkbox"/>
Telephone w/ Direct Outside Line	<input checked="" type="checkbox"/>	Copying Machine	<input checked="" type="checkbox"/>
Computer Printer	<input checked="" type="checkbox"/>		

VI Prospective Client Companies Which are Currently in Need of Assistance

Promoting a viable and thriving private sector is a primary goal of the FSRC. This is to be accomplished not only indirectly and on a longer term basis by supporting the development of indigenous corporate finance skills in Polish banks but also through the direct work with Polish enterprises as the FSRC and the bank jointly provide advisory assistance. It is a condition to the providing of FSRC assistance that the financial institution identify enterprises which will be recipients of assistance. While selecting enterprises please keep in mind the qualification guidelines established for assisted enterprises.

- 50 or more employees
- Achieving operating profits (EBIT - EBITD-I)
- Timely provision of enterprise information requested by financial institution and Contractor team
- Request for Assistance approved by enterprise management provided to Contractor
- Commitment of enterprise resources (cost-sharing and/or payments-in-kind active involvement of enterprise managers and employees etc.)
- Probability of successful implementation of FSRC recommendations and
- Probability that FSRC assistance if successfully implemented will create a positive example of enterprise transformation to private enterprises in the region

Beyond these delineated guidelines it is important to select those client companies which may optimally benefit from FSRC assistance including the implementation of Advisory Team recommendations. Furthermore in order to ensure the success of the program the Advisory Team will look favorably upon banks that identify a minimum of five enterprises in a representative array of the three broad project categories: i) capital markets ii) operational restructuring and iii) financial restructuring. This is intended to avoid a disproportionate allocation of FSRC resources such that transfer of knowledge to the financial institution's staff could not be optimally effected.

Technical assistance will be awarded based on a bank's understanding of the enterprise's objectives on the availability of enterprise information required to establish an understanding of the enterprise's need and on firm commitments from the bank and the enterprise regarding the implementation of corporation finance recommendations that will be made by the bank with FSRC assistance (i.e. probability of implementation). Technical assistance will continue to be provided to banks and selected enterprises based on implementation performance. Finally while some enterprise information may be confidential please respond to the following to the best of the bank's ability.

Enterprise One		Bank	Dates
Name Zakład Rowerowe ROMET S.A. in Białogórz	Project Type 1 Capital Markets 2 Operational Restructuring 3 Financial Restructuring	Primary Contact and Position Adam Weglarz Specialist - Capital Inv. Dep.	Initiation Date February 1996
Enterprise Location ul. Fabryczna 246 85-909 Białogórz	Primary Tasks to Complete Privatization Capital inflow	Frequency of Interaction (High, Medium, Low)	Primary Dates Affecting Project TBD
Primary Contact and Position Artur Mielcarski Member of the Management Board	Specific Expertise Required Knowledge contact and solicitation of foreign investors Negotiation skills	Client Relationship Classification (Good, Average, Poor?)	Proposed Completion Date September 1996

Enterprise Two		Bank	Dates
Name Huta Ostrowiec S.A.	Project type 1 Capital Markets 2 Operational Restructuring 3 <u>Financial Restructuring.</u>	Primary Contact and Position Henryk Beronski Main Specialist - Loan Work-Out Dept.	Initiation Date February 1996
Enterprise Location ul Samsonowicza 2 Ostrowiec Swietokrzyski	Primary Tasks to Complete Reorganization of financial systems and control Improve cash and capital management	Frequency of Interaction (High, Medium, Low)	Primary Dates Affecting Project: TBD
Primary Contact and Position Henryk Krekora President	Specific Expertise Required. Financial/capital management.	Client Relationship Classification (Good, <u>Average</u> , Poor?)	Proposed Completion Date December 1996

Enterprise Three		Bank	Dates
Name Fabryka Wtryskarek Ponar-Zywiec S.A.	Project Type 1 <u>Capital Markets.</u> 2 Operational Restructuring. 3 <u>Financial Restructuring.</u>	Primary Contact and Position. Maria Lesnicka Main Specialist - Loan Work-Out Dept.	Initiation Date February 1996
Enterprise Location ul Sienkiewicza 19 34-300 Zywiec	Primary Tasks to Complete 1 Evaluate the capital markets for potential of sale BPH's stake in the company 2 Financial restructuring and improvement of capital management.	Frequency of Interaction (High, <u>Medium</u> , Low)	Primary Dates Affecting Project: TBD
Primary Contact and Position Jan Rak President	Specific Expertise Required. Project analysis and financing Offering of public securities.	Client Relationship Classification (Good, <u>Average</u> , Poor?)	Proposed Completion Date September 1996

Enterprise Four		Bank	Dates
Name	Project Type 1 Capital Markets 2 Operational Restructuring. 3 Financial Restructuring.	Primary Contact and Position	Initiation Date
Enterprise Location	Primary Tasks to Complete	Frequency of Interaction (High, Medium, Low)	Primary Dates Affecting Project:
Primary Contact and Position	Specific Expertise Required.	Client Relationship Classification (Good, <u>Average</u> , Poor?)	Proposed Completion Date

VI Prospective Client Companies Which are Currently in Need of Assistance (Continued)

Enterprise Five		Bank	Dates
Name	Project Type 1 Capital Markets 2 Operational Restructuring. 3 Financial Restructuring.	Primary Contact and Position	Initiation Date
Enterprise Location	Primary Tasks to Complete	Frequency of Interaction (High, Medium, Low)	Primary Dates Affecting Project
Primary Contact and Position.	Specific Expertise Required.	Client Relationship Classification (Good, Average, Poor?)	Proposed Completion Date

VIII. Closing Remarks

Please note that participating financial institutions will be requested to demonstrate commitment to the FSRC project for the duration of its term rather than to participate in selected one-off transactions. This is important because as the project progresses the Advisory Team expects that the burden of effectuating transactions and thus the work performed will be increasingly assumed by the participating financial institution and local professionals.

Neither Crimson Capital Corporation, the FSRC, nor USAID make any representations or warranties as to the participation of the applicant bank in this program.



The Request For Assistance process permits the FSRC to identify those transactions which will further the FSRC's goals

- The Request For Assistance Form includes:
 - Description of proposed transaction
 - Assessment of the replicability of the transaction
 - Estimation of the viability of the company-prepared project plan for the transaction
 - Description of company to verify it is viable and of sufficient size to cause FSRC assistance to have an impact

Continued ...

The Request For Assistance process permits the FSRC to identify those transactions which will further the FSRC's goals

(Continued)

- Verification of company commitment to actively participate in the process
- Evaluation of probability of implementation of FSRC recommendations and ultimate transaction success
- Determination of probability that FSRC assistance will result in skills transfer to bank staff

Final decisions on accepting a transaction are made together with USAID

To date, 50 transactions have been through the RFA process

RFAs TRANSACTIONS COMPLETED	RFAs - TRANSACTIONS ACTIVE	RFA's - TRANSACTIONS PENDING	RFAs TRANSACTIONS REJECTED
<ul style="list-style-type: none"> ■ Bank Przemyslowy ■ BSTM ■ Commercial Paper - Bahlsen ■ Commercial Paper Jelfa ■ Convertible Bond ■ Czempin ■ DIP Financing ■ Galmeko ■ Kostrzynskie Zakl Papiernicze ■ Książ Porcelana ■ LEN ■ Lubelskie Futrzarskie Kurów ■ Municipal Finance Polkowice ■ Regional Investment Fund Presentation / Structuring ■ Regional Investment Fund Organizational / Compensation Issues ■ Sharp Hanmar ■ Solo ■ Zwoltex 	<ul style="list-style-type: none"> ■ Bank Przemyslowy, Łódź ■ Białostockie Zakł Graficzne ■ Elzab ■ Fundusz Gornosląskie ■ Huta Ostrowiec ■ Interchemall ■ Karen ■ Książ Porcelana Phase Two ■ LINOPLYT ■ Lubelski Futrzarskie Kurów Phase Two ■ MIS / Bank Profitability Systems ■ OM BZ ■ Optimum ■ OTC Project ■ Polanil ■ PZL Hydral ■ Regional Investment Fund Legal / Documentation ■ Regional Investment Fund, Bank Presentation ■ Regional Investment Fund Basic Tool Document ■ PBG Investment Fund, Valuation / Compensation ■ Superdrob ■ Tertex ■ Vitroma ■ Watina ■ Zremb ■ ZUT 	<ul style="list-style-type: none"> ■ PBG Headquarters Building ■ PBG Real Estate Project ■ Milanowek ■ Bank Spoldzielczy 	<ul style="list-style-type: none"> ■ ZHS ■ Romet

3/28/96

USAID FINANCIAL SERVICES RESOURCE CENTER ("FSRC")
ENTERPRISE REQUEST FOR ASSISTANCE ("RFA") COVER SHEET

Summary, Review, and Recommendations

For Internal Use Only

I Summary	
Enterprise Name	Z VOLTEX S.A.
Source of Enterprise Referral (Organization - Contact and Communications)	Powszechny Bank Gospodarczy S.A. ("PBG") Dr. Rafal Nawrocki, Director, Department of Investment Capital T //Fax: (48 42) 36 84 65
Date of Initial Meeting	March 1, 1996
Comments on Initial Meeting	PBG Department of Investment Capital has asked FSRC assistance to complete their first private placement of convertible debt.

II Review

Enterprise Selection Criteria	Yes / No	Comments
25 or more employees	Yes	
Achieving operating profits (EBIT / EBITDA)	Yes	Since restructuring their debt, the company has had two years of improving profitable operations.
Timely provision of enterprise information requested by the FSRC team	Yes	We were given extensive operating and financial information in our first visit.
RFA approved by the enterprise management provided to the FSRC team	Yes	
Commitment of enterprise resources (cost sharing and/or payments in kind, active involvement of enterprise managers and employees, etc.)	Yes	The CEO and CFO have promised their active cooperation.
Probability of successful implementation of FSRC recommendations	Yes	The company and PBG have agreed on common objectives and are committed to implementing this project.
Probability that FSRC assistance, if successfully implemented, will create a positive example of enterprise transformation to other private enterprises in the region	Yes	Zvoltex is one of the first companies in the Lodz textile industry to successfully emerge from financial restructuring. A number of other companies will be able to benefit from similar plans.

**USAID FINANCIAL SERVICES RESOURCE CENTER ("FSRC")
ENTERPRISE REQUEST FOR ASSISTANCE ("RFA") COVER SHEET**

Factors Disqualifying Enterprises from FSRC Assistance	Yes / No	Comments
Ownership by foreign entity	No	
Ability to pay market rates for corporate finance advice	No	
Benefiting from assistance provided through the Mass Privatization Program	No	

Additional Considerations	Yes / No	Comments
Does the participating financial institution understand the enterprise's objectives?	Yes	The Bank and the company have worked closely to establish common objectives based on marketing plans and plans for operational and
Is the information required to establish an understanding of the enterprise's objectives available?	Yes	financial restructuring which will significantly improve the company's prospects for privatization
Have the financial institution and the enterprise provided firm commitments as to whether the FSRC corporate finance recommendations will be implemented?	Yes	

III Recommendations

FSRC Recommendations

Recommended This private placement of convertible debt with the existing shareholders of Zwoltex is intended to finance needed capital expansion now without disturbing the existing Bank Conciliation Agreement. The largest shareholder is PBG Investment Fund Sp z o o a limited liability company established by PBG to hold and manage the equity holdings obtained under Bank Conciliation Agreements. This transaction is intended to result in a restructuring of Zwoltex's shareholder ownership in the future increasing PBG Investment Fund's ownership and decreasing state ownership as a move toward privatization of the company. PBG's Department of Investment Capital has not done a transaction of this type before and this will be one of the first by a Polish bank under the new enabling legislation of June 29, 1995.

Conclusions			
Decision	FSRC	USAID Project Officer / Washington DC	USAID Project Officer / Warsaw
Approve			
Disapprove			
More Information Necessary			
If Disapprove	Yes / No	Comments	
Notification Sent			
Meeting Held			

**USAID FINANCIAL SERVICES RESOURCE CENTER ("FSRC")
ENTERPRISE REQUEST FOR ASSISTANCE ("RFA")**

I Introduction

The FSRC a United States Agency for International Development funded project has been established to sustain the development of and promote the further growth of Polish private sector enterprises and, thereby the economy as whole To this end, the FSRC will provide qualified Polish enterprises a variety of services in three principal areas of expertise

- _ Capital Markets Activities,*
- _ Operational Restructurings, and*
- _ Financial Restructurings and Reorganizations*

A team composed of FSRC and Polish financial institution professionals will be dedicated to developing and facilitating the implementation of assistance for qualified enterprises As a result of this joint work, the FSRC expects to develop a long-term financial advisory resource within the Polish financial institution for the enterprise Please note that if the applicant enterprise does not have a financial institution selected with whom to implement FSRC assistance the FSRC will assist in matching the enterprise with an appropriate financial institution

In order to develop an effective plan of action for prospective FSRC clients the FSRC requires all prospective FSRC assistance recipients to submit a qualification form providing standard descriptive corporate information available financial figures and an outline of potential transactions as well as to identify enterprise contacts and Polish banking professionals who will be committed to working with the FSRC team This information will serve as the criteria upon which the FSRC team and USAID will determine whether assistance can be provided to the applicant enterprise

Dates	Participating Bank	Enterprise
Initiation Date February 28 1996	Name Powszechny Bank Gospodarczy S A	Name Zaklad Przemyslu Bawelnianego ZWOLTEX S A
Key Dates Effecting Project Completion date. Intended to be May 19 1996 when new dyeing machinery will be delivered We have cautioned that this date is probably not realistic and completion is likely to be in mid-July 1996 allowing for agreement and formal approvals of various Zwoltext shareholders (including PBG)	Address and Communications Head Office Al J Pilsudskiego 12 90-950 Lodz	Address and Communications ul Szadkowska 64/66 Zdunska Wola (near Lodz) tel (043) 23-23 31(9) fax (043) 23-33-20
Estimated Completion Date Mid July 1996 (see above)	Primary Contact and Position Dr Rafal Nawrocki Director Department of Investment Capital ul H. Sienkiewicza 85/87 XIV p 90-950 Lodz (tel/fax 042 36 84 65) Jerzy Jozkowiak, President PBG Investment Fund Sp z o o ul H. Sienkiewicza 85/87 XIV p 90-057 Lodz (tel 042 36 37 34) (fax 042 36 22 32)	Primary Contact and Position Slawomir Kacperowski President and CEO

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11 Enterprise Overview

Developing a preliminary understanding of the enterprise is essential for composing the appropriate Advisory Team as well as for identifying resources that the FSRC will make available while working with the enterprise. Responding to the following should provide FSRC personnel a brief but wide ranging enterprise profile so that these objectives may be realized.

Information Type	Brief Description
1 Products / Services	Textile manufacturing. ZWOLTEX S A produces blankets and different types and sizes of towels.
2 Geographic Market	Poland Nationwide. The company has about 60% of the Polish market in towel production and about 80% of blanket production. ZWOLTEX S A exports towels and blankets to the U.S., Canada, Germany, France, Great Britain, Italy and Scandinavia. Export is about 20% of total sales.
3 Industry Overview	The competition in production of blankets and towels in Poland has increased very quickly. ZWOLTEX main competitor in towel production is FROTEX (29% of the market) situated in Prudnik. Others are DALL (3%) and FROTTE (2%). Imported towels, mostly from Far East Asian countries, account for 4% of the market. The main competitors in blanket production are POPLER (5% of the Polish market), BIAWE (3%), BIRUNA (2%) and KONSTILANA (2%). Imported blankets account for about 2% of the market, mostly from Western Europe. ZWOLTEX S A produces products with high quality, good design and competitive prices.
4 Key Strengths / Weaknesses	Strengths include the company's capable management and strong cooperation with PBG. ZWOLTEX S A concluded a Bank Conciliation Agreement with PBG on 22 March 1994. Pursuant to this agreement, 50% of main liabilities were written off. The financial situation is continually improving; there is a strong market share in the Polish market, good distribution channels, good design and a skilled workforce. Weaknesses: old dyeing facility, nonearning fixed assets such as social function buildings, some excess employees, very strong trade union, low quality of some products (mostly towels), high cost of production, weak marketing department, weak colouring of products, and lack of good information systems.
5 Supply / Demand Concentrations	ZWOLTEX S A sells its products mostly to wholesalers in major cities. Some retailers purchase directly from the company. ZWOLTEX S A purchases cotton (the basic raw material) from different sources. It cooperates with TEXTILIMPEX, one of the Polish foreign trade companies.
6. Pertinent Government / Industry Regulations (i.e. quotas & tariffs)	The company pays the usual 22% VAT and income tax at 40%. It is operating under a Bank Conciliation Agreement with PBG and other creditors.
7 Additional Barriers to Entry (Internal / External)	No additional barriers to entry.
8. Ownership Structure (List all interests in excess of five percent)	36.76% PBG Investment Fund Sp z o o - a limited liability company wholly owned by PBG established to hold and manage the equity holdings obtained by PBG in equity for debt swaps under Bank Conciliation Agreements. 26.13% State Treasury 10.45% PFRON (State Rehabilitation Fund for Disabled Persons) 10.44% ARP (State Industrial Development Agency) 4.46% State Electricity Enterprise 11.76% other
9 Employee Profile (Number, average training, etc.)	ZWOLTEX S A employs 2076 people. Management organises a number of different training programs and courses, e.g. control and audit training for Accounting Dept. staff. Since 1995 there have been management and marketing training courses for management staff.
10 Other / Comments	Zwoltex is considered to be one of the best companies among the equity holdings obtained by PBG under Bank Conciliation Agreements and held and managed in the PBG Investment Fund Sp z o o portfolio.

III Financial Information

Understanding that enterprises have varying levels of financial records beyond the mandatory standard F-1 and F-2 reports to the Polish Statistical Office please provide the following information. Additionally in order to complete a more thorough profile of the enterprise please provide estimations of future performance and expected cash flow needs

Financial Disclosure Issues	
1 Year Ending	a) 8.31.94 and b) 12.31.95
2 Form of Financial Statements (i.e. Internal F-1 Audited - Polish or International Standard?)	a) company-prepared monthly (F-01) report to State Treasury the company also prepared F-02 reports on the basis of old 1991 regulations b) company statements are checked by the auditors
3 Auditor if Any	

Available Financial Information Historical and Projected (mln PLN)	1993	Interim period 31.08.1994	1995	Estimated 1996	Comments
Revenues	40.86	32.34	64.72	76.6	
Operating Profit	2.1	0.76	2.5	5.65	
Net Income	0.21	0.52	3.09	3.2	
Total Assets	23.7	27.82	61.87	-	Revaluation of fixed assets in 1995 by independent consultants amounted to PLN 30 mln
Total Equity	10.52	12.38	50.97	-	
Total Debt	12.04	9.13	7.2	-	

Additional Financial Information	Description	Estimated Amounts
Cash Flow Needs (including Capital Expenditures)	Purchase and installation of a new dyeing facility	PLN 2.7 mln
Fixed assets expansion		
Significant Off-Balance Sheet Assets / Liabilities	No	
Other		

The following chart outlines the three principal types of assistance which FSRC personnel will provide as well as specific transaction types

- For capital markets activities the Advisory Team will among other things analyse the current and projected capital requirements of enterprises and based on such analyses devise optimal capital structures and if necessary assist to structure, solicit and execute funding For example the FSRC may assist an enterprise in preparing for an initial public offering or soliciting prospective investors
- For operational restructuring activities the Advisory Team will among other things provide assistance to improve the core business of enterprises This may include assessing an enterprise's budgeting and cash flow management methods and making appropriate recommendations
- For financial restructuring activities the Advisory team will provide financial engineering expertise and techniques to evaluate and improve short term cash flow act as intermediaries in creditor/debtor negotiations and effect capital markets transactions in support of restructuring A potential transaction may include assisting the enterprise transform its ownership structure and simultaneously facilitate a third party equity investment

Note that the FSRC will generally provide technical assistance serially (i.e. in only one functional area per enterprise per RFA) For example an enterprise that identifies Operational Improvement needs in its RFA must first demonstrate that Financial Stabilization assistance is generally not required likewise a company seeking Capital Restructuring assistance must demonstrate that both Financial Stabilization and Operational Improvement assistance is generally not required

Please mark one proposed functional area of assistance and relevant potential transaction types

Capital Markets Activities	X	Operational Restructuring	Financial Restructuring
Corporate Advisory Services		Financial Management/Controls	Financial Statement Analysis
a) Analysis of Capital Requirements b) Evaluation of Capital Alternatives c) Development of Alternative Capital Structures		a) Budgeting and Cash Flow Forecasting b) Business Plan Preparation c) Balance Sheet Portfolio Management	a) Budgeting and Cash Flow Reporting b) Budgeting and Cash Flow Forecasting
Corporate Finance		Sales / Marketing / Distribution	Turn-Around Management Techniques
a) Private Placement b) Initial Public Offering c) Public Offering of Debt and/or Quasi Debt Securities (Convertibles)	X	a) Review of Existing Products and Services b) Analysis of Competitor Organizations and Consumer Markets c) Development Strategies for New Products/Markets Services	a) Receivables Collection and Payables Settlement b) Product Margin Analysis c) Inventory Management d) Cost Reduction and Expenditure Deferral
Mergers and Acquisitions		Operations and Production	Creditor / Debtor Negotiations
a) Strategic Investment b) Financial Investment c) Divestiture d) Sale of Company e) Privatization Advisory Services		a) Production Efficiency Reports b) Quality Control and Engineering c) Review of Organizational Structure	a) Creditor Intermediation b) Debtor Intermediation

If possible please identify specific anticipated transactions and estimated size

Identification of Specific Transaction(s)	Estimated Transaction Size (mln PLN)	Brief Explanation of How Estimated Size Calculated
This private placement of convertible debt with the existing shareholders of Zwoltex is intended to finance needed capital expansion now without disturbing the existing Bank Conciliation Agreement. As described on page (2) the largest shareholder is PBG Investment Fund Sp z o o a limited liability company established by PBG to hold and manage the equity holdings obtained under Bank Conciliation Agreements This transaction is intended to result in a restructuring of Zwoltex's shareholder ownership in the future increasing PBG Investment Fund's ownership and decreasing state ownership as a move toward privatization of the company PBG's Department of Investment Capital has not done a transaction of this type before and this will be one of the first by a Polish bank under the new enabling legislation of June 29 1995	PLN 27 mln	Amount of capital required

The FSRC program is designed to maximize benefits to the enterprise by involving other enterprise and training directed assistance programs to transfer industry technical and specialized expertise in all appropriate cases. However in order to develop a plan of action the FSRC must first have an understanding of past and current relationships with the enterprises primary financial institutions as well as with other donor organizations and/or multilateral financial institutions. Please outline the links with these institutions by providing length of contact as well as financial interests involved.

Additional Assistance Information	Relationship
Participating Bank. a Length of Relationship b Type and Amount of Credit Facilities Outstanding	PBG S A a Long standing credit relationship. In 1994 a Bank Conciliation Agreement was completed with PBG and other creditors rescheduling 50% of ZWOLTEX debt over five years. b PBG currently extends short term credit of PLN 240 000 to ZWOLTEX.
Other Banks a Length of Relationship b Type and Amount of Credit Facilities Outstanding	1 No other banks
Assistance History with Other Donor Organizations and or Multilateral Financial Institutions	1 ZWOLTEX has previously utilized UK Know How Fund and EL PHARE consultants in financial analysis asset valuation budgeting and business planning and organizational structure while restructuring its operations after concluding a Bank Conciliation Agreement with its creditors. 2 UK Investment advisors York Trust periodically visit PBG Investment Fund Sp z o o to review utilization of a £4 million investment fund made available by the UK Know How Fund to PBG Investment Fund Sp z o o for new investments. PBG Investment Fund Sp z o o was originally established by PBG to manage the equity holdings obtained by PBG under Bank Conciliation Agreements. It is now beginning to consider new unrelated equity investments under the Know How Fund grant.

Subsequent to developing a preliminary understanding of the enterprise based on initial meetings and the information provided in this form the FSRC will work to assemble the appropriate Advisory Team. However this decision will also be formed by the enterprise's preferences. To the extent that the enterprise has relationships at a Polish financial institution or other donor organizations with whom it is requested the FSRC work, please identify them. However in most cases this section will be filled out by the FSRC.

Institution	Primary Contacts	Specific Role if Appropriate
Crimson Capital	1 Jerry Thompson 2 Derek Pilch 3 Piotr Michalski	Project Manager Financial Analyst Junior Analyst
Participating Bank - PBG	1 Dr Rajal Nawrocki Director Department of Investment Capital 2 Jerzy Jozkowiak, President PBG Investment Fund Sp z o o	PBG Department of Investment Capital has the PBG Investment Fund Sp z o o share responsibility within PBG for completing this transaction.

Neither Crimson Capital Corporation FSRC nor USAID make any representations or warranties as to the participation of the applicant enterprise in this program.

The Action Plan Process ensures that the sequence of steps to be followed for the transaction is cogent and the likelihood of success is high

- The Action Plan is prepared in conjunction with the Request For Assistance Form
- The Action Plan specifies:
 - Tasks to be performed and the expected timing
 - Appropriate staffing
 - Manner in which the proposed transaction furthers the strategic objectives of the financial institution
 - Skills to be transferred to Polish professionals
 - Meetings, anticipated work products and presentations
 - Roles and responsibilities of FSRC, bank and company staffs

The Action Plan provides:

- A mechanism to review the feasibility and judiciousness of FSRC assistance
- A means to assess the relevance of the transaction to the strategy of the financial institution
- A project quality control mechanism
 - The Commitment Committee can compare results projected in the Action Plan with actual performance
- A covenant between the FSRC, the financial institution and the company
 - USAID and the FSRC can evaluate the commitment of the financial institution and the company

The Action Plan for each transaction is approved with USAID

USAID FINANCIAL SERVICES RESOURCE CENTER ("FSRC")

OPTIMUM ACTION PLAN

For Internal Uses Only

I Introduction

This Action Plan is intended to be prepared in conjunction with other FSRC enterprise template forms - among others the Enterprise Qualification Form and the Task Order Completion Report. The Action Plan outlines the specific tasks to be performed in completing a given transaction as well as the expected timing appropriate staffing and skills to be transferred to the Polish professionals. As projects undertaken on behalf of enterprises are concluded, the Action Plan, in combination with the Enterprise Qualification Form, the Task Order Completion Form and all documentation produced on behalf of the enterprise will be utilized to complete the file on each enterprise.

II Description of Principal Transaction Types

The FSRC will provide qualified Polish enterprises a variety of services in three principal areas of expertise:

- Capital Markets Activities
- Operational Restructuring
- Financial Restructuring and Reorganizations

Capital Markets Activities

Description of Assistance	Skills to be Transferred
Provide advice on forecasting working capital, capital investments, cash flow and income. Evaluate cost of capital, value of the enterprise and potential financing and alternatives. Assist in the capital raising process of debt and/or equity and in attracting potential investors. Assist in presentation of the enterprise to the potential investors and in negotiations and closing of the transaction.	<ul style="list-style-type: none"> • Financial Analysis • Corporate Finance • Cost of Capital Calculations • Valuation and • Mergers and Acquisitions

Operational Restructuring

Description of Assistance	Skills to be Transferred
Provide assistance in evaluation of operations, quality control, product profitability and management of human resources. Review existing reporting and structure of the organization. Assist in creation of business plan, marketing program and relationships with key suppliers and purchasers. Suggest improvements in efficiency of operations, product lines and business strategy.	<ul style="list-style-type: none"> • Financial Analysis • Corporate Reporting / Forecasting • Marketing / Export Development • Industry Sector Expertise • Production Management/Efficiency and • Labor Relations and Management

Financial Restructuring and Reorganization

Description of Assistance	Skills to be Transferred
Provide advice on immediate stabilization of troubled enterprises through debt restructuring, expense reduction and cash flow management. Evaluate financial alternatives and assist in negotiations with financial institutions.	<ul style="list-style-type: none"> • Financial Analysis • Corporate Finance • Working Capital and Cash Management • Turnaround Techniques and • Work Out / Debt Negotiations

**USAID FINANCIAL SERVICES RESOURCE CENTER ("FSRC")
ACTION PLAN**

III Activities

The following describe the expected timing of the transaction and the principal tasks to be performed

General Information	
Financial Institution Name	Bank Rozwoju Eksportu
Enterprise Name	Optimum Sp zo o
Functional Assistance Area	Operational Restructuring
Description of Transaction(s)	Assist in development of business plan
Commencement Date	May 20 1996
Expected Completion Date	August 1996

Steps Necessary to Complete Transaction	Timing
Review the company's business plan and related documentation	May 20 - June 7
Determine areas within enterprise which are deficient and in need of development	June 15
Perform thorough due diligence of company	June 17 - 21
Perform quantitative assessment of firm including a thorough analysis of the company's capital structure and future growth prospects	June 24 - July 12
Complete draft of business plan	July 26
Management review and comments	August 15
Complete final version of business plan	September 1

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**USAID FINANCIAL SERVICES RESOURCE CENTER ("FSRC")
ACTION PLAN**

IV Participants

Composed of FSRC and Polish financial institution professionals along with short-term industry specialists if appropriate the Team will be dedicated to implementation of assistance in the proposed transaction. The professionals indicated are intended to commit to specific tasks and processes to complete the transaction

Crimson Capital

Professional	Responsibilities	Date of Commitment
Thomas Kania	Senior adviser on project	As needed basis
Jennifer Kersis	Senior relationship manager responsible for all aspects of project including proper communications and documentation	Throughout project

Financial Institution

Professional	Responsibilities	Date of Commitment
Zenon Siomski	Senior bank representative responsible for strategic direction	Throughout project
Jolanta Bisen Szczecin Branch	Execution and communication	Throughout project

Industry Specialists - Short-Term Technical Assistance

Professional	Responsibilities	Date of Commitment	Estimated Cost
NA			

**USAID FINANCIAL SERVICES RESOURCE CENTER ("FSRC")
ACTION PLAN**

V Skills Transferred

The goal of each assistance rendered is transfer of knowledge and skills to the Polish professionals. During the transaction it is anticipated that the following skills will be transferred to the participating Polish financial institutions.

Skills / Knowledge Transferred

Enterprise review and assessment- undertake extensive due diligence of company and formalize critical processes and procedures

Business plan review and update- systematizing procedures for continual update of company business plan particularly critical in technology related businesses

Financial planning helping the company determine a viable financial strategy given its strategic focus particularly a research-driven company where many projects have significant development periods

Reviewing available capital alternatives provide assistance on marketing business plan to banks and investors. Provide guidance on appropriate negotiating and structuring techniques / strategies

VI Transaction Relevance to Participating Financial Institution Strategy

BRE wants to be a leader in serving small and medium sized enterprises. Understanding how to assess and review the operating position of such companies will be crucial to developing appropriate products for them. Optimimum is a participant in an unusual light manufacturing business. However it has excellent development potential. If professionals at BRE can use analytical techniques to evaluate the Optimimum business plan and, thereby, come to an understanding of the likelihood of the future success of this company and the future loyalty this customer would bring to a lending relationship, the project would be very successful.

VII Time and Responsibilities Schedules

The following time and responsibilities schedules are meant merely to be indicative of the anticipated tasks, time requirements and staffing levels that may be involved in each stage of the transaction for the three types of financial advisory assistance that was anticipated in the proposal. Schedules specifically tailored to each approved transaction will be created as part of an Action Plan upon which the FSRC Team will proceed toward implementation.

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Except for the summer holiday season, the Commitment Committee meets as needed to review and discuss:

- Pending Bank Assessment Forms
- Pending Requests For Assistance
- Pending Action Plans
- Project status reports for current projects
- Outstanding issues, including methods to improve the performance and results of the FSRC

Final decisions by the Commitment Committee are made together with USAID

The Task Order Completion Report describes delivery order achievements, failures and recommendations

- The Task Order Completion Report is utilized to complete the file on each project
- The Report specifies implementation variances from Action Plans
 - The Report highlights variances from expected skills transfer and FSRC and bank personnel working on the project
- Achievements and shortfalls are highlighted

Good project results are the product of:

Highly qualified FSRC staff

Good project planning

Peer review

Client feedback

Basic tools

The FSRC has assembled a strong team of professionals

- **Crimson Capital Chairman**
- **Seven expatriate banking and consulting professionals**
- **Seven local staff**

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The FSRC staff is highly skilled

20 years experience in international investment banking, law and private business, Harvard Business School Faculty	4 years experience in corporate finance and management consulting with Polish companies, operational and financial restructurings
15 years investment banking management roles in domestic and international mergers, restructurings and debt and equity placements and public offerings	30 years in commercial banking in the United States, Europe and Asia, 6 years in senior bank advisory roles in Eastern Europe
20 years experience in management consulting to companies and governments, organizational improvement and financial restructuring	10 years experience in international restructuring and turnaround management, general and strategic planning, law degree
6 years in international finance with special expertise in real estate and leveraged lease finance	4 years in international investment banking, international corporate investment and industry specializations
7 years experience in engineering, management consulting and finance with companies in Poland, Europe and the Middle East	7 years in international equity finance, venture capital, executive consulting and privatizations and restructurings
Building for the future, the FSRC has recruited a group of young Polish university graduate professionals who support the senior level staff, participate in all transactions and are being trained as investment banking professionals	

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The FSRC adjusts its project planning to the needs of a particular project

SMALL PROJECT	MEDIUM SIZED PROJECT	LARGE PROJECT
<p><u>Bank Spółdzielczy Tomaszów Mazowiecki (BSTM) Acquisition</u></p> <ul style="list-style-type: none"> ■ Sponsor Team Leader, Bank Investment Department ■ Project Team of three ■ Day to day agenda (one day on site) ■ 10 man-day effort ■ Draft Review and Investment Recommendations prepared by Bank Team, reviewed by the FSRC and forwarded to Management Board for decision 	<p><u>ELZAB S A</u></p> <ul style="list-style-type: none"> ■ Sponsor Credit Executive, Bank Management Board ■ Project team of four ■ Bi weekly meetings between Company prospective investor and the FSRC advisor ■ 25 man day effort ■ Frequent iterations of Financial Plan ■ Final decision after four months 	<p><u>Huta Ostrowiec</u></p> <ul style="list-style-type: none"> ■ Sponsors Most senior executives in both the Bank and the Company ■ Project team of 8 ■ Formal 27 page study plan ■ Formal Sponsors meeting to approve study plan ■ 100 man day effort ■ Periodic planning and review sessions with Sponsors

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s the FSRC moved into project execution, it implemented an formal peer review process; this has recently been formalized

Client managers have accountability to the Project Manager and OAR Warsaw for the progress of work with financial institutions and enterprises both formally, through the Commitment Committee, and informally through daily interaction

All client documents are reviewed by all team members within the FSRC

Major documents are reviewed by an FSRC staff member not directly involved in the project

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Periodically, the Project Manager meets with selected client managers to review the work of the FSRC; for example:

In some cases assumed team leader responsibility for the most problematic clients and transactions

Meets once per quarter with senior personnel from participating financial institutions

Weekly reviews with senior FSRC personnel regarding transaction progress

One hour telephone meeting with Bank Sponsor of the Huta Ostrowiec Project

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History of the Basic tools

In the July 1995 proposal, the FSRC proposed to distribute nine separate documents to participating banks and seconded local nationals

During final proposal considerations in August 1995, the FSRC proposed to develop an additional six documents during Phase I for use in Phase II

Following acceptance of proposal, the Task Order mandated the FSRC to tailor and translate materials to be used in connection with services to be provided

On February 1996 the FSRC submitted a Phase I report listing the following Basic Tools; not all had been formally reviewed and approved for distribution

CAPITAL MARKETS	OPERATIONAL RESTRUCTURING	FINANCIAL RESTRUCTURING
<ul style="list-style-type: none"> Overview of IPO Procedures in Poland Qualifying Potential Foreign Investors American Depository Receipts ("ADRs") Rule 144A Survey of Venture Capital Funds Active in Poland Using Discounted Cash Flow Analysis as a Means of Evaluation Required Components of a Prospectus Warsaw Stock Exchange Requirements Summary of Rules for Allocating Publicly Issued Shares to Employees ■ An Introduction to Presentation Skills Portfolio Management Techniques 	<ul style="list-style-type: none"> ■ Strategic Planning Guide ■ Guide for Planning Change ■ Business Plan Guide ■ Business Plan (<i>Sample</i>) and Appendices ■ Re engineering the Business ■ Negotiating ■ Overview of Financial Controls ■ Valuation Cost of Capital and Capital Budgeting 	<ul style="list-style-type: none"> ■ Overview of Enterprise Restructuring ■ Turnaround Tactics and Out-of-Court Restructuring ■ Bankruptcy, Liquidation, and Arrangement Proceedings ■ Collateral and Recourse ■ Basic Rights, Responsibilities, and Issues Regarding Property ■ Lender Liability Considerations under Laws of the USA ■ Market for Bank Loans

After editing and modification, the final list of Basic tools includes the following:

BASIC TOOL	DESCRIPTION
<ul style="list-style-type: none"> ■ Market For Bank Loans ■ Strategic Planning Guide ■ Guide For Planning Change ■ Business Plan Guide ■ Business Plan (Sample) And Appendices ■ Re engineering The Business ■ Negotiating ■ Overview Of Financial Controls ■ Valuation, Cost Of Capital And Capital Budgeting 	<ul style="list-style-type: none"> ■ Procedures and legal and regulatory aspects of selling troubled bank loans, basic information about the market as it has developed in the U S , detailed information on the market in Poland ■ A guide to strategic planning for business ■ A guide to anticipating and planning for changing business conditions in the internal and external environment ■ A guide to preparing a business plan ■ Sample Business Plan with appendixes showing departmental plans,cash flow forecasts, and so forth ■ Business re-engineering, instituting basic change in businesses to meet a changing business environment, widely used in American business and government (including USAID) ■ A guide to business negotiations ■ Review of business' key financial controls, what needs to be controlled and what are the critical points ■ What is a business' capital? What does it cost? How do you formulate a capital budget?

Continuing ...

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fter editing and modification, the final list of Basic tools includes the following:

BASIC TOOL	DESCRIPTION
<ul style="list-style-type: none"> ■ Overview of IPO Procedures ■ Qualifying Potential Foreign Investors ■ American Depository Receipts ("ADRs") ■ Rule 144A ■ Survey Of Venture Capital Funds Active In Poland Using Discounted Cash Flow Analysis As A Means Of Evaluation ■ Required Components Of A Prospectus ■ Warsaw Stock Exchange Requirements ■ Summary Of Rules For Allocating Publicly Issued Shares To Employees ■ An Introduction To Presentation Skills ■ Portfolio Management Techniques 	<ul style="list-style-type: none"> ■ Procedures for raising capital through Initial Public Offerings in Poland ■ A guide to gathering information and determining the bona fides of prospective foreign investors ■ The legal and regulatory framework for using ADRs to raise capital in the U S ■ Special U S SEC rules allowing the sale of securities to sophisticated investors with less extensive disclosure requirements ■ A review of the basic financial structure, ownership and investment objectives of venture capital companies active in Poland ■ Theory and application of discounted cash flow analysis, with examples ■ Requirements for a Prospectus for a public offering of securities in Poland ■ Requirements for listing securities on the Warsaw Stock Exchange ■ Rules for meeting Polish government requirements that a certain percentage of shares of a privatizing entity be reserved for employees of the enterprise ■ A guide for business presentations ■ An overview of techniques for managing portfolio investments and measuring portfolio performance

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-
- Project objectives and goals
 - Project design
 - *Bank relationships*
 - Results to date
 - Five case studies
 - Appendices

The FSRC has developed strong relationships with six banks

- The FSRC works with important Polish banks
- With FSRC help, these banks are accomplishing significant "firsts"
- A large number of Polish bankers are learning by doing transactions

Bank Zachodni S.A. (Wrocław)

BACKGROUND

<u>The Bank</u>
<ul style="list-style-type: none"> ■ Regional Western oriented bank ■ Focus on improving quality and performance of senior management ■ Only bank split off from NBP that has permission to pursue own path of privatization
<u>The Relationship</u>
<ul style="list-style-type: none"> ■ T Gluszczyk, President & Member Zarząd ■ G Niewolik, Vice President & Member Zarząd ■ Continuing since September 1995
<u>Departments Involved (# current projects)</u>
<ul style="list-style-type: none"> ■ Capital Investments (1) ■ Irregular Loans (1) ■ Budgeting (1) ■ Brokerage (1)
<u>Other Institutions Involved</u>
<ul style="list-style-type: none"> ■ IESC ■ OTC Project

REPRESENTATIVE TRANSACTIONS

Capital Markets

- | | |
|--|-------------------------------|
| <ul style="list-style-type: none"> ■ Prepare Offering Memorandum to solicit strategic investors for the Bank's privatization ■ Develop capacity to offer commercial paper and municipal finance services | Projects For Bank |
| <ul style="list-style-type: none"> ■ Assist solicitation of competitive bids for commercial paper and municipal finance services | Projects For Bank's Customers |

Operational Restructuring

- | |
|--|
| <ul style="list-style-type: none"> ■ Measure and improve Bank's customer service efficiency ■ Improve operations of largest porcelain factory in Europe in area with one of highest levels of unemployment in Poland |
|--|

Financial Restructuring

- | |
|--|
| <ul style="list-style-type: none"> ■ Develop coherent plan to reduce exposure to a single industry (i.e., linen) ■ Turn around largest particle board manufacturer in Poland ■ Following operational restructuring of porcelain company, solicit strategic investor to effect financial restructuring |
|--|

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Bank Przemysłowo-Handlowy S A. (Kraków)

BACKGROUND

<p align="center"><u>The Bank</u></p> <ul style="list-style-type: none"> ■ Significant number of large industrial companies as credit customers ■ Very strong focus on improving performance of large industrial companies
<p align="center"><u>The Relationship</u></p> <ul style="list-style-type: none"> ■ I Folta Member Zarząd ■ B Sobola Director Difficult Loans ■ Continuing since October 1995
<p align="center"><u>Departments Involved (# current projects)</u></p> <ul style="list-style-type: none"> ■ Difficult Loans (1)
<p align="center"><u>Other Institutions Involved</u></p> <ul style="list-style-type: none"> ■ Citizens Democracy Corps ■ US Department Of Labor ■ Coopers & Lybrand

REPRESENTATIVE TRANSACTIONS

Capital Markets	
	Projects For Bank
<ul style="list-style-type: none"> ■ Following operational restructuring solicit foreign investor for most viable Polish steel producer with sales of \$200 million 	Projects For Bank s Customers
Operational Restructuring	Financial Restructuring
<ul style="list-style-type: none"> ■ Strengthen cost and revenue management for most viable Polish steel producer 	<ul style="list-style-type: none"> ■ Following operational restructuring, solicit foreign investor for most viable Polish steel producer with sales of \$200 million

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Bank Rozwoju Eksportu S.A (Warsaw)

BACKGROUND

<p><u>The Bank</u></p> <ul style="list-style-type: none"> ■ First bank to be privatized in Poland ■ Specialized bank to support exports ■ Considered by FSRC to be one of the most innovative banks
<p><u>The Relationship</u></p> <ul style="list-style-type: none"> ■ K Szwarz, President & Member Zarząd ■ Continuing since September 1995
<p><u>Departments Involved (# current projects)</u></p> <ul style="list-style-type: none"> ■ Investment Banking (4) ■ Credit (1)
<p><u>Other Institutions Involved</u></p> <ul style="list-style-type: none"> ■ CDC (source of transactions)

REPRESENTATIVE TRANSACTIONS

Capital Markets

<ul style="list-style-type: none"> ■ Train staff in- and develop presentation materials for- new commercial paper business venture 	<p>Projects For Bank</p>
<ul style="list-style-type: none"> ■ Prepare largest Polish private petroleum distributor for strategic partnership with Western petroleum company 	<p>Projects For Bank s Customers</p>

Operational Restructuring

<ul style="list-style-type: none"> ■ Facilitate joint venture between shipping container manufacturer and German company as step towards privatization ■ Develop improvement plan for innovative machinery regeneration services company as step toward direct equity investment
--

Financial Restructuring

<ul style="list-style-type: none"> ■ Develop restructuring and divestiture options for food processing company ■ Develop refinancing options for a major paper company and then advise Bank on negotiating strategy with multi national lender
--

Powszechny Bank Kredytowy S.A. (Warsaw)

BACKGROUND

<p><u>The Bank</u></p> <ul style="list-style-type: none"> ■ Next bank scheduled for privatization ■ Second largest of the 9 commercial banks created in 1991 from the NBP¹
<p><u>The Relationship</u></p> <ul style="list-style-type: none"> ■ M Mazur, Former Chairman Supervisory Board ■ B Zambrzycka, Former President & Member Zarząd ■ Other members, Supervisory Board and Zarząd ■ Continuing since October 1993
<p><u>Departments Involved (# current projects)</u></p> <ul style="list-style-type: none"> ■ Executive Office Staff ■ Investment Banking (2) ■ Credit And Loan Restructuring ■ Financial Institutions Relationships ■ Strategic Planning
<p><u>Other Institutions Involved</u></p> <ul style="list-style-type: none"> ■ PADCO ■ EU PHARE ■ World Bank Twinning Program

REPRESENTATIVE TRANSACTIONS

Capital Markets

<ul style="list-style-type: none"> ■ Advise on largest (at the time) bank acquisition in Poland ■ Complete valuation and prepare draft prospectus for Bank's own privatization ■ Advise Bank on five other acquisitions & divestitures 	<p>Projects For Bank</p>
<ul style="list-style-type: none"> ■ Develop materials needed to attract financial investor to recovering producer of point of sale cash registers 	<p>Projects For Bank's Customers</p>

Operational Restructuring

<ul style="list-style-type: none"> ■ Develop methods to integrate acquired banks into PBK ■ Advise Bank on structure and staffing of new capital investment department ■ Evaluate operational efficiency improvements in fast growing plastics and seals company

Financial Restructuring

<ul style="list-style-type: none"> ■ Advise only Polish producer of sheep skin garments during bank conciliation ■ Assist producer of point-of-sale cash registers through the bank conciliation process
--

¹ Measured on basis of total assets

Powszechny Bank Gospodarczy S.A. (Łódź)

BACKGROUND

<p><u>The Bank</u></p> <ul style="list-style-type: none"> ■ Largest commercial loan portfolio among Polish banks ■ Largest of the 9 commercial banks created in 1991 from the NBP¹ ■ Particular emphasis on lending to the energy and manufacturing sectors
<p><u>The Relationship</u></p> <ul style="list-style-type: none"> ■ S Lachowski, Vice President & Member Zarząd ■ R Nawrocki, Director, Investment Banking ■ P Gierynski, President Łódź Mgt Group ■ J Józkowiak, President PBG Investment Fund <p>■ Continuing since January 1996</p>
<p><u>Departments Involved (# current projects)</u></p> <ul style="list-style-type: none"> ■ Investment Banking (2) ■ Loan Restructuring (2) ■ Real Estate (2) ■ Asset Management (6)
<p><u>Other Institutions Involved</u></p> <ul style="list-style-type: none"> ■ EU PHARE ■ UK Know How Fund ■ World Bank Twinning Program

REPRESENTATIVE TRANSACTIONS

Capital Markets

<ul style="list-style-type: none"> ■ Advise Bank on strategy, due diligence and valuation in contemplated acquisition of an important bank ■ Assist in solicitation of institutional investors (including EBRD) for first Polish owned and managed direct investment fund 	<p>Projects For Bank</p>
<ul style="list-style-type: none"> ■ Advise Bank and customer on third Polish private placement of convertible debt ■ Develop investment memorandum to attract financial investors to one of the first privatizations to be done under the new Privatization Act 	<p>Projects For Bank s Customers</p>

Operational Restructuring

<ul style="list-style-type: none"> ■ Develop due diligence policies and valuation methods for first Polish owned and managed investment fund

Financial Restructuring

<ul style="list-style-type: none"> ■ Assist Bank in developing systematic approach to evaluation of distressed companies ■ Develop turn-around strategies for textile company

¹ Measured on basis of total assets

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Bank Dom Handlowy S.A. & Kredyt Bank S.A. (Warsaw)

BACKGROUND

<u>The Bank</u>
<ul style="list-style-type: none"> ■ BDH established to manage and restructure distressed companies in KB's portfolio ■ Goal is to become leading restructuring entity in Poland
<u>The Relationship</u>
<ul style="list-style-type: none"> ■ S Bielec, President & Member Zarząd ■ A Zaczek Vice President & Member Zarząd ■ Continuing since October 1993 ■ Slated for further development late 1996
<u>Departments Involved (# current projects)</u>
<ul style="list-style-type: none"> ■ Marketing ■ Loan Restructuring
<u>Other Institutions Involved</u>

REPRESENTATIVE TRANSACTIONS

Capital Markets

<ul style="list-style-type: none"> ■ Requested to assist in establishment of portfolio review policies and procedures
<ul style="list-style-type: none"> ■ Requested to solicit strategic investor for troubled meat processing company

Projects For Bank

Projects For Bank's Customers

Operational Restructuring

--

Financial Restructuring

<ul style="list-style-type: none"> ■ Advise Bank on financial restructurings in which the Bank may have an interest
--

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With FSRC help, the banks are accomplishing significant "firsts"

- PBG - First convertible bond offering by a Polish company advised by a Polish advisor (for Zwoltex)
- PBK - Acquired GBG, the largest Polish bank acquisition to date at the time
- Bank Zachodni - Developing one of the first municipal finance programs in Poland
- BRE - One of the first independently developed commercial paper products
- Bank Zachodni - One of the largest turn-around situations among Polish State-Owned-Enterprises, thereby preserving over 1,100 jobs

A large number of Polish bankers are learning by doing transactions

BANK PRZEMYSIOWO HANDLOWY S A	BANK ROZWOJU EKSPORTU S A
<p>Henryk Bieroński Main Specialist Difficult Credits Irena Folta, Member Of Management Board Henryka Pieronkiewicz, President Urszula Siadek, Main Specialist, Difficult Credits Barbara Sobola Director, Difficult Credits Beata Urbańczyk, Director, Investment Banking</p>	<p>Edmund Cumber, Manager, Credit Joanna Domańska, Auditing Expert Zenon Grabowski Branch Manager, Szczecin Piotr Jastrzębski, Senior Project Manager Kazimierz Kaczan, Branch Manager, Lublin Pawel Kawarski, Legal Expert Grzegorz Kędziora Analyst Beata Kielan, Project Manager Marcin Kotlicki, Credit Officer Dariusz Libera, Credit Officer Tomasz Mazurczak, Investment Advisor Marzena Misiuna, Credit Officer Tomasz Mitkiewicz Branch Manager Olsztyn Bartosz Neyman, Credit Officer Radosław Pela, Analyst Tomasz Publicewicz, Analyst Zenon Słomski Director, Capital Investment Joanna Sobolewska, Analyst Krzysztof Szwarc, President Ewa Szyszkowska, Investment Advisor Dorota Zaliwska, Project Manager Cezary Ziarkowski, Investment Advisor</p>

Continued ...

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A large number of Polish bankers are learning by doing transactions

(Continued)

POWSZECHNY BANK GOSPODARCZY S A	POWSZECHNY BANK KREDYTOWY S A w WARSZAWIE
<p>Teresa Garuszewski Director Restructuring Jerzy Jóźkowiak, President, PBG Fundusz Inwestycyjny Sp z o o Sławomir Lachowski Main Board Director Rafał Madea, Legal Advisor Rafał Nawrocki, Director Investment Banking Janusz Skrzypkowski, Project Manager Tomasz Stamirowski, Investment Manager Ryszard Tarnowski, Branch Manager, Białystok Jarosław Wolak Investment Banking Anna Wydrzyńska Investment Banking Ryszard Zatorski, Assistant Director, Investment Banking Ten additional professionals Investment Banking</p>	<p>Piort Cyburt Member of Management Board Krzysztof Czerkas, Director, Restructuring Janusz Dedo, Member of Management Board Zbigniew Grochowski, Advisor to Management Board Tomasz Kotecki, Director, Capital Investments (Previous) Michał Lach, Financial Analyst Marek Mazur Chairman of Supervisory Board Rafał Olesiński, Specialist Adam Parfiniewicz, Director, Strategic Planning Ewa Piwowar Advisor to President of Management Board Andrzej Podsiadło, President (Present) Piotr Pokropek, Director, Financial Institutions Marek Pyla Director Capital Investment (Present) Sławomir Sikora Vice President, Member of Management Board Iwona Wojkowska, Liaison Barbara Zambrzycka, President (Previous) Jerzy Zdrzałka Vice President Janusz Żebrowski Deputy Director Capital Investments</p>

Continued ...

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A large number of Polish bankers are learning by doing transactions

(Continued)

BANK ZACHODNI S A	BANKOWY DOM HANDLOWY Sp z o o (a)
<p>Tadeusz Gluszczyk President, Member of Management Board Jerzy Jaiswiec, Specialist, Irregular Loans Mariusz Jaroczewski, Specialist Loans Andrzej Jędrzejczak, Director, Member of Management Board Grazyna Matlawska Director, Capital Investments Jerzy Malinga Director Irregular Loans Piotr Mazur, Financial Analyst Loan Restructuring Grazyna Niewolik, Vice President, Member of Management Board Elzbieta Brzozowska-Pastuszek, Specialist Józef Pawlik Director Budget Janina Przybyła, Branch Manager, Wałbrzych Krzysztof Radom, Director Capital Markets Grazyna Sobczak, Director Marek Wierzba Specialist Capital Investment</p>	<p>Andrzej Bąk Sławomir Bielec Managing Director and President Jacek Górecki, Manager Jacek Hetman, General Manager Adam Kurzawa, Director, Legal Jolanta Kwiatkowska, Lawyer Zdzisław Sokal, Financial Director Adam Wierzbicki, General Manager Andrzej Zaczek, Vice President</p>

(a) No projects have been undertaken yet, this is the list of expected contacts

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 - Project design
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 - *Results to date*
 - Five case studies
 - Appendices

Results to date

- The FSRC's clients represent more than one-third of total qualified Polish banking sector assets
- From November 1995, the FSRC has completed transactions representing more than \$400 million in project value
- With FSRC assistance, the banks are doing large transactions that have a significant impact
- To date the FSRC has balanced its work among three types of functional assistance
 - Capital markets
 - Operational restructuring
 - Financial restructuring

The FSRC's clients represent more than one-third of total Polish banking sector assets

- Clients include six banks, representing approximately 35% of total Polish commercial banking sector assets
 - Two additional banks were originally targeted which would have increased the total to 47%
- Under the September 30, 1996 modified task order, the FSRC will have the additional flexibility to work with non-bank financial institutions, which will significantly increase the FSRC's market penetration
 - This increased scope includes institutions and organizations such as CETO, regional development authorities and others
- Estimated 75 commercial and investment bankers trained to date through Project Working Groups
 - 165% of Task Order Phase III Requirement of 45

The FSRC has completed projects totaling over \$400 million

ENTERPRISES	TOTAL	TOTAL PROJECT VALUE		TOTAL TRANSACTIONS VALUE	
		(mln PLN)	(mln USD)	(mln PLN)	(mln USD)
Requesting Assistance Since Project Inception	98	3 913	1 565	1,427	571
Currently Active Projects	24	1,318	527	582	233
Currently Pending Projects	17	287	115	87	35
Completed Projects	19	1 084	433	459	183
Percentage Of Phase II Task Order Requirement	107%	n a	n a	n a	n a
Percentage Of Phase III Task Order Requirement	46%	n a	n a	n a	n a
Rejected Projects	38	1 224	490	300	120

n a not applicable

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FINANCIAL SERVICES RESOURCE CENTER

TABLE OF COMPLETED TRANSACTIONS

Enterprise / Project	Sector	Financial Institution	Description	Project Value (1) (min PLN)	Trans Value (2) (min PLN)
1 Kostrzynskie Zakl. Papiernicze	Paper	BRE	Advised Credit Department on acceptability of an EBRD re-financing proposal for the high profile project. The work has been incorporated into BRE long term loan origination strategy and procedures developed in concert with BRE personnel have become a benchmark for future syndicated loan programs term sheets and cooperation with international assistance organizations.	279.0	117.0
2 Czempin	Food Process	BRE	Monitored financial restructuring reviewed valuation and facilitated communication between company and bank in this renegotiation of a loan agreement.	38.0	70.0
3 Solo	Petroleum	BRE	Concluded wide range of projects in assisting BRE to resolve problem loans to Solo the 50th largest Polish company including offering memorandum roadshow presentation facilitation of legal work valuation and preparation of in-depth analysis of BRE's future rights and responsibilities as a secured creditor to Solo. Recommended terms by which to renegotiate loan facility. To be closed.	507.5	50.0
4 Regional Investment Fund Pres/Structure	NA	PBG	Assisted in structuring the first regional Polish venture capital fund developed solely by a Polish bank. Also helped develop and deliver a state-of-the-art roadshow presentation. Soft-circles for the fund have been secured and closing is anticipated by December 1996.	50.0	50.0
5 LEN	Linen	Bank Zachodni	Worked with Bank Zachodni to review draft investment memorandum and to create summary marketing document used to target selected investors. This project developed the framework for future large-scale marketing and direct focus marketing of investment opportunities for the bank.	30.0	50.0
6 Ksiaz Porcelana	Porcelain	Bank Zachodni	Developed in-depth market report on current problems and potential solutions regarding the largest self-contained porcelain factory in Europe. Ksiaz constitutes the largest equity investment of BZ in any Polish enterprise.	25.4	25.4
7 Commercial Paper Bahlsen	Food Process	BRE	Evaluated and improved commercial paper presentation prepared by bank professionals. The issue was one of the first commercial paper issues independently developed and marketed by a Polish bank. Issue served as proxy for future efforts.	25.0	25.0
8 Bank Przemyslowy	Banking	PBG	Acted as intermediary in acquisition and assisted in structuring PBG's bid. Transaction to be completed pending successful conclusion of negotiations by December 1996. To be closed.	22.0	14.0
9 Sharp Hammar	Packaging	BIG/PBR	Reviewed financial viability of project and introduced project managers to international multilateral assistance organizations to develop sources of funding. Coordinated with BRE and PBR and sustained negotiations between PBR and Sharp-Hammar. Resulted in preliminary funding commitment. To be closed.	12.0	12.0
10 Municipal Finance Polkowice	Municipal	Bank Zachodni	Worked with Capital Markets Group to develop program including due diligence procedures pricing parameters legal constraints and market potential for Polkowice one of the most financially stable and highly rated municipalities in Poland. Although BZ did not receive the financing mandate the work performed constitutes a replicable pitch which BZ will use to secure future financings.	10.0	10.0
11 Convertible Bond	NA	Bank Zachodni	Worked with Capital Markets Group to develop a program including specific due diligence procedures pricing parameters legal constraints and market potential for major publicly listed client. Although BZ did not secure the financing mandate the work performed constitutes a replicable pitch which BZ will use to secure future financings.	8.0	8.0
12 Lubelskie Futrzarskie Kurow	Sheepskin Gar	BRE PBK	Worked with company and lead creditor BRE to successfully develop and implement the debt conciliation process for the distressed company. Work included intermediation between credit constituencies creation of restructuring plan development of projections and valuation of the enterprise alongside company and PBK professionals. Resulted in successful debt to equity conversion.	15.2	7.0
13 Commercial Paper Jelfa	Pharmaceutic	Bank Zachodni	Worked with Capital Markets Group to develop a program including specific due diligence procedures pricing parameters legal constraints and market potential for selected bank client. Although BZ did not secure the financing mandate the work performed constitutes a replicable pitch which BZ will use to secure future financings.	5.0	5.0
14 Galmeko	Light Manufact	BRE	In conjunction with bank the BRE / IFC Small & Medium Enterprise Loan Program completed business / financing plan for Galmeko the premier manufacturer of metal Point-of-Sale displays for supermarkets and hypermarkets in Poland. Also worked with bank and company professionals to develop business plan to present to the venture capital community for equity financing.	9.0	5.0
15 BSTM	Banking	PBK	Advised PBK on acquisition of distressed bank. Performed due diligence and advised on innovative acquisition structures.	4.5	4.5
16 DIP Financing	Light Manufact	BRE PBK	Developed in depth analysis of product outlined necessary steps to structure and conclude such financing including standard terms fees credit issues and performance covenants. Although the banks did not secure the financing mandate the work performed constitutes a replicable pitch which the banks will use to secure future financings.	3.0	3.0
17 Zwolfex	Textile	PBG	Successfully completed the first placement of convertible debt for a Polish company by a Polish bank and the third such offering in Poland. Alongside PBG personnel the bond program was evaluated from a due diligence pricing and structural framework.	40.0	2.7
18 Regional Investment Fund (2) Org/Comp	NA	PBG	Assisted bankers to develop operational infrastructure including investment management monitoring performance		
TOTAL				1,083.6	456.6

(1) Where known equivalent to one of the following: enterprise's revenues, total asset or equity value of enterprise or aggregate value of transaction (e.g. for percentage stakes in companies equivalent to valuation based on)
 (2) Actual valuation of transaction (e.g. percentage stake value)

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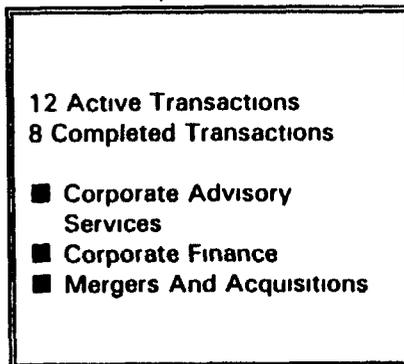
With FSRC assistance, the banks are doing large transactions that have an impact

- 19 completed projects and 24 active projects as of October 3, 1996
- Aggregate project value more than one billion dollars
- Aggregate transaction value more than 400 million dollars
- Approximately 75 commercial and investment bankers trained to date
- 20% of initial candidate transactions sourced from other USAID projects
- Assistance from USAID and other multilateral organizations integrated into five projects
 - Introductions pending on one project

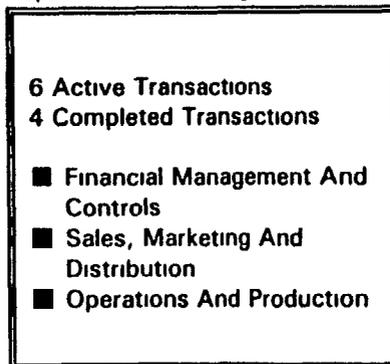
The FSRC has balanced its work among three types of functional assistance

TRANSACTIONS

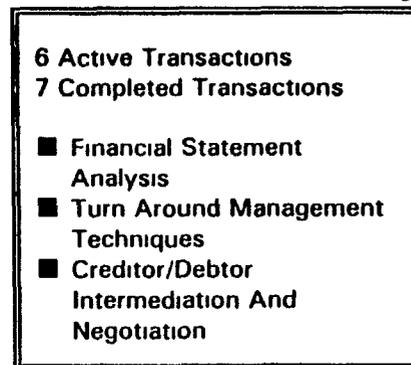
Capital Markets



Operational Restructuring



Financial Restructuring



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In the future, the FSRC has recommended to USAID that it limit organizational restructuring assignments

- One-off, non-replicable transactions do not contribute to institution building
- Time and labor intensive projects do not maximize the impact of FSRC resources

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- Project objectives and goals
 - Project design
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Zwoltex - Powszechny Bank Gospodarczy

Zwoltex (either "Zwoltex" or "Company"), a large Polish textile company based in Łódź, is one of the largest companies owned and controlled by the PBG Investment Fund (a portfolio of companies in which the bank maintains an ownership interest due to debt conciliation) With FSRC help, PBG successfully completed a convertible bond issuance for Zwoltex, only the third such financing in Poland and the first completed by a Polish financial institution on behalf of a Polish company Furthermore, this transaction was completed without re negotiating the existing Bank Conciliation Agreement which could have jeopardized the issuance

Alongside FSRC personnel, PBG staff performed extensive Company due diligence and evaluated the new issue from various corporate, pricing, and structural perspectives Furthermore, the transaction was structured in such a manner that the PBG Investment Fund was able to merge its ownership holding with that of the PBG parent bank and in the process dilute the ownership interest of the State Treasury (which did not exercise its preemptive rights) Therefore, within the new ownership structure, PBG greatly increases its ability to influence future corporate matters

The devised structure is considered innovative and pioneering in Poland (see attached article) and the new ownership structure facilitates the process for the Company's impending privatization The transaction significantly increased the skills of employees at both PBG Investment Fund and PBG Investment Banking Department (which acted as financial advisor to Zwoltex) With FSRC assistance, the two PBG groups gained experience developing a comprehensive information memorandum, preparing detailed financial analyses and learning the applicability of convertible bonds to other client companies

Total transaction size was PLN 2 7 million

KZP Paper - Bank Rozwoju Eksportu

KZP Paper (either "KZP" or "Company") is one of the largest and most modern pulp and paper mills in Poland. Due to an aggressive capital expenditure program in which the Company borrowed over 50 million PLN (from a consortium which included the EBRD and many Polish banks), the Company found itself in a precarious financial position which was compounded by an overall decrease in demand for paper products. The financial situation became so severe that it became doubtful whether KZP would survive without some sort of financial restructuring.

In an attempt to remedy this situation, the EBRD arranged a financial restructuring program that included the purchase of a controlling interest from a consortium of Scandinavian strategic and financial investors (for approximately USD 30 million) and the arrangement of a working capital loan provided by the EBRD for approximately USD 15 million. However, the EBRD demanded that in order to complete this transaction all outstanding creditors would have to subordinate their position to new EBRD debt.

BRE asked the FSRC to advise the Bank on a new financing proposal and to assist in the preparation of necessary financial analyses, as such a complex structure and proposal had never been evaluated by Bank employees before. Furthermore, BRE requested FSRC assistance in developing appropriate negotiation strategies to deal with both the EBRD and other lenders.

FSRC recommendations have had a major impact on the manner in which such renegotiations have been incorporated into BRE's long term loan origination strategy, project review procedures and analysis methodology. Work performed on behalf of KZP was developed in concert with BRE personnel and has become a benchmark for BRE's work related to syndicated loans and term sheets, as well as in its conduct of cooperation with international assistance organizations and multi lateral financial institutions.

Książ - Bank Zachodni

Książ (either "Książ" or the "Company") is the largest self contained porcelain factory in Europe as well as the largest equity investment in Bank Zachodni's portfolio. The Bank acquired 66% of the Company's equity, worth approximately PLN 25.4 million from a debt to equity swap arranged outside of the bank conciliation process.

Bank Zachodni sought FSRC assistance to help restructure the Company in hopes of recouping a large portion of the money lent to the Company over the years. Furthermore, the Bank and local officials were concerned about the economic impact of the Company on the region, as it employs over 1,100 people and is one of the largest employers in one of the most economically depressed regions of Poland.

To date, the FSRC completed a number of projects for the Bank's Management Board including

- Performing a Company overview which highlighted problem areas which warranted immediate attention
- Developing a marketing plan which included a short term sales strategy and lays the foundation for development of the marketing department
- Securing the services of a technical industry specialist who is evaluating a number of projects including reviewing an extensive capital investment program
- Performing profitability analysis to determine the long term feasibility of the sanitary product line

Work to date has been enthusiastically received by the Bank's Management Board who have, in turn, asked the FSRC to complete six additional projects in the areas of technical analysis, market analysis and cost/profit center analysis. Furthermore, the Bank's Management Board has agreed to a cost sharing plan in which they will cover approximately 30% of all costs related to technical specialists.

Bank Zachodni employees have gained valuable experience working with FSRC personnel in developing and assessing restructuring options, developing and assessing complex financial models and working with company managers in distressed situations. Furthermore, Bank employees have learned how to assess and evaluate the performance and potential of other distressed companies within the Bank's portfolio.

Huta Ostrowiec - Bank Przemysłowo-Handlowy

Huta Ostrowiec (either "the Huta" or "the Company") is a project which underscores BPH's position as a large corporate bank with clients in the primary industrial sectors which surround the Bank's Silesia location. Currently, BPH owns seven percent of the Company (which resulted from the completion of debt conciliation) and maintains a PLN 88 million credit exposure (and is one of the largest outstanding creditors in the Bank's loan portfolio). Given the current financial condition of the Company, there is little chance of the Bank reducing its exposure in the immediate future without an extensive restructuring of the Huta's operations and the implementation of financial management procedures.

The FSRC is currently working with BPH and Company management on developing a number of projects which focus on the Company's financial reporting procedures. The first project, which is currently being implemented, is for the FSRC to define and develop major cost and revenue responsibility centers within the Company. To accomplish this, a detailed study plan was developed, discussed, analyzed and agreed upon by the Company, BPH and FSRC management.

Through this very complex process, the FSRC has instructed BPH employees on a number of technical factors including project assessment, product cost accounting, budgeting and cash flow analysis. Furthermore, the FSRC has introduced bank management to complex project management strategies, many of which they can apply to other distressed situations within the Bank.

The project is currently in process and utilizes staff from the FSRC, Warsaw Consulting Group, CDC volunteer resources, the Huta, and BPH, as well as technical experts from Coopers & Lybrand.

Kurów - Powszechny Bank Kredytowy

In this transaction, the FSRC represented Kurów (either "Kurów" or the "Company"), a leading Polish sheep-skin garment producer with its debt conciliation activities PBK, represented by employees from its Warsaw and Lublin offices, represented over 15 other creditors in the conciliation procedures. The transaction was of special importance as if an agreement was not reached, the Company would have gone bankrupt (resulting in the loss of over 600 jobs in an already economically depressed region of the country).

The FSRC team successfully intermediated between credit constituencies by creating a comprehensive restructuring plan that addressed financial, marketing, organizational and strategic issues as well as developing detailed financial projections. Furthermore, Kurów was one of the last Polish companies to enter the bank conciliation process as defined in the Act of Restructuring for which the eligibility to commence the process ended in March 1996. Therefore, the FSRC was forced to work under extreme time pressures in order to complete this process within the stated deadline.

In order to develop all documentation needed to assess the proposal the FSRC had to overcome a number of challenges, including training a corporate staff that lacked sophisticated financial analysis and reporting skills and working with a team of Bank employees who were new to the conciliation process and unfamiliar with the analysis and documentation needed to execute such an agreement. However, by the end of the transaction, all Company and Bank personnel involved became familiar with the complex financial and legal mechanics associated with "debt to equity" swap type transactions as well as the amount of work needed to complete a complex transaction within a limited time frame.

In June 1996, the creditors formally approved the agreement and senior Bank and Company management expressed immense gratitude to the FSRC for its commitment to the project. All parties agreed that given the limited experience and skills of the involved Company and Bank personnel, completion of the project within the strict time frame would have been highly unlikely without FSRC help.

Due to the success of this project, the FSRC has developed a solid working relationship with PBK and is in the process of defining other situations within the bank where the FSRC could be of assistance. Furthermore PBK has requested that the FSRC monitor Kurów's progress and assist in the development of Kurów's Management Information Systems, cash flow accounting methods and monthly reporting procedures.

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Mart Bakal, Chairman

Mart Bakal has more than twenty years of international experience in investment banking, law, and business, specializing in mergers and acquisitions and corporate and real estate finance. Since 1991, he has focused his professional effort on privatization in Central and Eastern Europe, organizing and managing teams responsible for more than 120 foreign investments in the region and advising businesses and governmental agencies in countries including the Czech Republic, Macedonia, Poland, Russia, and Slovakia.

Reacting to the political and economic revolutions in Central Europe, Mr. Bakal founded Crimson Capital to assist in the regional transformation to market economies. In the Czech Republic, under Mr. Bakal's direction, Crimson assisted the Ministry of Privatization in creating and implementing the guidelines for privatization through foreign investment. In Poland, Mr. Bakal has been actively involved in working with the USAID team since the start of the investment banking project.

During the 1980s, as a senior investment banker at Drexel Burnham Lambert and Bear Stearns, Mr. Bakal led teams involved in numerous financings, acquisitions, and divestitures. For example, he was responsible for the purchase of a major oil and gas refiner and distributor with 1800 retail outlets. He also advised several leveraged buyout companies on transactions valued at more than seven billion dollars. During his professional career as an international lawyer, Mr. Bakal managed numerous acquisitions, financings, and restructurings for commercial banks and corporations in various business sectors over a period of nine years.

Mr. Bakal has been on the faculty of the Harvard Business School and a visiting scholar at the Harvard Law School. He holds a law degree from the University of Manitoba and a Masters Degree in Tax Law from Boston University.

Kathleen A. Kelly

Kathleen A Kelly is an international investment banking professional with in excess of fifteen years of experience with leading investment banking institutions With Crimson Capital since 1993, Ms Kelly is the Managing Director of the Warsaw office of Crimson Capital and is responsible for implementing the FSRC program Prior to assuming responsibilities in Poland, Ms Kelly served on the Crimson Capital team providing financial advisory services to the Ministry of Privatization of the Czech Republic In this capacity, she was responsible for the privatization and sale of state-owned companies to foreign investors and coordinated activities among ministries, privatization candidates, and potential investors

Prior to joining Crimson, Ms Kelly was a Vice President of Investment Banking at Lazard Freres & Co for over seven years While at Lazard, Ms Kelly participated in all aspects of domestic and international mergers, acquisitions, divestitures, restructurings, public offerings, private placements, and related financial advisory services Ms Kelly was additionally responsible for the direction and execution of all international, cross-border/U S merger and acquisition transactions and international restructurings and reorganizations These transactions included multi-billion dollar deals among prominent American, European, Asian, and Pacific corporations In this capacity, Ms Kelly completed in excess of 30 transactions, aggregating over U S \$10 billion in value

From 1984 through 1986, Ms Kelly was employed as an Associate, and subsequently promoted to Assistant Vice President, of Corporate Finance at Rothschild Inc While at Rothschild, Ms Kelly was involved in mergers, acquisitions, divestitures, restructurings, public offerings, and private placements, as well as related financial advisory services Prior to joining Rothschild, Ms Kelly served as an Analyst in the Mergers and Acquisitions Group of The First Boston Corporation In these capacities, Ms Kelly completed over 25 transactions, aggregating in excess of U S \$22 billion in value

A Rhodes Scholar Finalist, Ms Kelly attended Brown University and was graduated from the University of Chicago with a BA degree with honors

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Bozena Aniol

Ms Aniol joined Crimson in 1995 to participate in the identification of Polish financial institutions and companies to become the beneficiaries of FSCR assistance. She was involved in calling programs designed to solicit new business from approximately 20 Polish financial institutions, including state-owned, private, and specialized banks. She assisted in establishing a working relationship with selected Polish banks and evaluating clients of those banks for financial advisory assistance.

Ms Aniol graduated from the University of Silesia with an M A in English and is currently enrolled in the M B A program in International Business sponsored by the University of Bristol.

Paul R. Clark

Paul Clark has significant experience in North America and Western and Eastern Europe helping company managements improve the performance of their businesses. During his career, Mr Clark has provided consulting services to companies ranging in size from one million USD in sales to international corporations with over three billion USD in sales. His clients have included both senior managers, as well as the Boards of Directors of companies. Since 1991, Mr Clark has lived in Poland and has worked directly with a large number of Polish businesses. He joined Crimson Capital in July 1996, and he has assumed responsibility for the organizational improvement aspects of projects as well as selected financial restructurings and capital market transactions.

Prior to join Crimson, Mr Clark led the privatization of a medium size Polish state owned enterprise. This transaction included a Polish bank (significantly, not the company's historic banks), two international investment funds, and Mr Clark on his own account.

Between 1991 and 1994, Mr Clark was the Chief Advisor to the Tarnobrzeg Provincial Governor concerning privatizing and restructuring a portfolio of 44 companies. The companies ranged in size from 20 employees to over 2 000 employees. During this time Mr Clark advise a team which privatized over a half of the companies through a number of methods (e.g. employee/management buy-out, leasing, asset sale liquidation and management contracts) and restructured many of the remaining companies. Portfolio companies included a number of industries, representing fields such as agriculture, food processing, small shipyards, and manufacturing. Restructuring projects were also completed a number of functional areas, including planning, staffing practices, marketing and financial management.

From 1984 to 1991, Mr Clark was a Managing Consultant with Cresap, a Towers Peerin Company. He helped improve the performance of more than 20 companies in over ten industries including transportation, financial services, health care, oil and gas, manufacturing and electric utilities. Functional areas included strategic, tactical and financial planning, operations, administrative services, information systems, organizational effectiveness and design, right-sizing and corporate governance.

For several years after university, Mr Clark was an engineer with Bechtel Group and Lockheed Missiles and Space where he was responsible for developing advanced materials for use in corrosive environments.

Mr Clark holds an M B A degree in finance with Honors from the University of Chicago, Graduated School of Business and M S and B S degrees in Materials and Engineering from Stanford University School of Engineering.

John Eric Flobeck

Rick Flobeck is a professional in international corporate finance with experience working with leading investment banking institutions in New York and London. His particular expertise is in real estate and leveraged lease finance. For the past two years, Mr. Flobeck has been a member of the Crimson Capital team advising Polish banks on privatizations, restructurings, and investment programs. Since joining Crimson in 1994, Mr. Flobeck has worked with leading Polish banks including large financial institutions created by the National Bank of Poland and several of the most innovative private banks in the country.

In these capacities, Mr. Flobeck has focused on the banks' problem investments in large commercial real estate projects and the liquidation and restructuring of equity and debt positions in the heavy manufacturing, shipping, agriculture, electronics, and petroleum sectors. Mr. Flobeck has also developed and delivered seminars to Polish banks on a wide range of financial products, including real estate and mortgage finance, lease finance, qualifying and concluding investments with foreign enterprises, and privatization through initial public offerings.

Before joining Crimson Capital, Mr. Flobeck was an Associate in the Transportation Group of PaineWebber, responsible for contacts with American, European, and Asian debt and equity investors. His work included optimizing debt and equity securities flows, developing currency and interest rate swaps, and the financial modelling of legal, accounting, and tax constraints for cross-border lease transactions. At the Transportation Group, he participated in more than \$800 million in equipment financings.

From 1989 to 1993, Mr. Flobeck was employed by Credit Suisse First Boston in New York and London. During this period, he participated in projects and transactions with an aggregate value of more than \$3 billion. In New York, his concentration was on real estate finance and leveraged lease finance of communications equipment. In London, he worked on the restructuring of Canary Wharf, the largest real estate project in Europe.

A member of the 1986 US Olympic Rowing Team, Mr. Flobeck graduated from the University of Pennsylvania with a double major in Political Science and Economics, and a minor in Business from the Wharton School.

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Zbigniew Kaim

Zbigniew Kaim has worked as a consultant in the field of corporate finance management for over seven years. Has he been employed by Warsaw Consulting Group Sp z o o for five years, primarily executing projects in the fields of operational and financial restructuring, as well as the privatization of state-owned enterprises. In this capacity, Mr Kaim's work has included the preparation of financial analyses, the valuation of companies, and the development of offering prospectuses. Mr Kaim worked for over a year as an advisor to the Bad Loan Department of Polski Bank Gospodarczy S A in Łódź, implementing Polish restructuring regulations for companies and the banks in a team established within the consortium of Warsaw Consulting Group and the Boston Consulting Group.

Since 1996, under an agreement between Warsaw Consulting Group and Crimson Capital, Mr Kaim has been seconded as an at Crimson Capital, providing advisory services to financial institutions and companies in operational and financial restructurings, privatizations, as well as the raising of capital for state-owned and private enterprises.

Prior to joining Warsaw Consulting Group, Mr Kaim was an Associate of Polexpert Sp z o o, a consulting company. Previously Mr Kaim worked for Chemadex, a state-owned company specializing in turn-key industrial plants, especially sugar plants, constructed outside of Poland. During 13 years with Chemadex, Mr Kaim progressed from an assistant designer to a senior designer and participated in teams responsible for launching operations of sugar plants in Hungary, former East Germany, Syria and Iraq.

Mr Kaim graduated from the Warsaw Technical University with an M S in Chemical Engineering. Additionally, Mr Kaim completed a number of training courses in financial analysis, financial management and marketing.

Marek J. Kamiński

Marek J. Kamiński is a management consultant with experience in various industries in Poland and the United States. He joined Crimson Capital in 1996 as an Associate and has assisted several Polish banks and companies in the conception and implementation of financial and operational restructurings, capital management and business development. Mr. Kamiński's primary focus has been on dynamic companies with aggressive strategic plans for expansions.

Prior to joining Crimson Capital, Mr. Kamiński was engaged in several successful entrepreneurial ventures. Among other things, he researched and targeted opportunistic elements of Poland's consumer goods markets, identified potential customers locally and internationally, and structured and negotiated several transactions. Mr. Kamiński also determined financing requirements and designed strategic planning programs so as to establish integrated processing in trading operations on the area of agricultural products.

Mr. Kamiński has also established and operated a consulting program within the Agency for Foreign Investment (PAIZ), that was designed to assist international companies in their strategic expansion in central and Eastern Europe. Among other things, Mr. Kamiński identified several attractive business opportunities in the banking and manufacturing sectors and conducted a comprehensive campaign to promote foreign investment in Poland. He also administered the process of securing the US Securities and Exchange Commission's no-action facilitating international capital flow for the Warsaw Stock Exchange.

Prior to coming to Poland, Mr. Kamiński served as a consultant specializing in real estate in the United States. As a member of an internal consulting group at National Westminster Bank, USA, he performed marketing and investment analyses in order to develop several mortgage and community banking products. He presented recommendations for strategic planning in light of the dynamics of the banking industry, its competitive forces, and major trends, including the emergence of virtual banking, industry consolidation, changes in the legal environment, emphasis on niche marketing, staffing reorganization and operational efficiency. While at The Corcoran Group, a New York real estate brokerage firm, Mr. Kamiński researched Manhattan's real estate market and made investment recommendations for several high net worth individuals.

Mr. Kamiński attended Warsaw University and is a former scholar of The Kościuszko Foundation and a graduate of The Stern School of Business at New York University with a B.S. and M.B.A. in finance.

Thomas Kania

Thomas Kania is a professional in corporate finance specializing in Central Europe, having spent five years working with local and international companies on privatizations, restructurings, and new business development within the region. He joined Crimson in February, 1996 to continue work under aegis of the Financial Services Resource Center.

Prior to joining Crimson, Mr. Kania was Vice President with Creditanstalt International Advisors in New York where he raised equity financing for companies active in Central Europe and former Soviet Union. In this capacity, he coordinated more than \$500 million of equity financing for a variety of projects, focusing on telecommunications, natural resources, and real estate development. In addition, he developed bank's asset management capabilities and established two venture capital funds which target the CEE/FSU region.

In 1994, Mr. Kania served Executive Consultant/Acting President for C. Olsen Industries, one of the most successful consumer products companies in Poland. During the period, he was able to restructure the company, establish production facilities in Poland, and arrange joint ventures in Lithuania, Ukraine, and Romania.

With PlanEcon Capital Group in Prague, Mr. Kania held the position of Vice President overseeing investment banking and consulting engagements in Eastern Europe. He managed privatizations and restructurings for regional enterprises and assisted multinational companies in entering the Czech, Slovak, and Polish markets.

Before he moved to Central Europe, Mr. Kania was an Associate at First Boston Corporation where he coordinated the sale of distressed properties worth more than \$1 billion. As an Associate at Columbia Savings and Loan, he specialized in acquiring and managing distressed assets for the bank's \$300 million real estate portfolio.

Mr. Kania received an M.B.A. from the Wharton School of the University of Pennsylvania and a B.A. in economics and Political Science from Columbia University.

Jennifer Kersis

Jennifer Kersis is a professional in international investment banking joined Crimson Capital in 1994. Ms. Kersis has served as a senior financial adviser to several of the leading state-owned and private domestic banks. In this capacity, she has assisted the banks' clients in executing financial and operational restructurings, and variety of capital markets transactions. Projects have included corporate finance advisory work, such as creditor intermediation, investor solicitation, and negotiation, as well as management consulting activities including strategic plan development and operational reviews. Her focus has included the sectors of petroleum, shipping, real estate, and light manufacturing.

As a part of developing investment banking skills within Polish financial institutions, Ms. Kersis has delivered seminars to Polish bankers on such topics as qualifying potential foreign investors, due diligence procedures, and business plan development. In addition to her advisory work, Ms. Kersis assists with the implementation and monitoring of the FSRC program.

Before coming to Poland, Ms. Kersis was an Analyst in the Japan Corporate Finance Division of Bankers Trust (BT) where her duties included marketing a wide range of corporate finance products to multinational Japanese companies, joint ventures, and banks. She built financial expertise by working closely with a variety of groups within BT, including Restructuring, Mergers and Acquisitions, Principal Investors, Derivatives, Real Estate, and Asset Backed Financing. During her tenure, she worked on transactions with a total value of approximately \$400 million.

Prior to joining Bankers Trust, Ms. Kersis worked in Washington, D.C., for the Overseas Private Investment Corporation (OPIC) as a Missions Officer Assistant in the promotion of corporate investment missions to emerging markets including those to the Czech Republic, the former East Germany, and Indonesia. Her responsibilities included researching economies and targeting sectors for investment and developing appropriate marketing strategies and recruiting executives from a wide range of business for participation. She successfully recruited executives from both Fortune 500 corporations, including a multi-national jeans manufacturer, a construction company, and an environmental services enterprise, as well as smaller entrepreneurial companies for the investment mission teams.

Ms. Kersis is a graduate of Wellesley College with BA in Economics. Ms. Kersis also spent one year studying international relations and economics at L'Institut d'Etudes Politiques in Paris.

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Robert Kopacz

Robert Kopacz currently serves Crimson Capital in the capacity of restructuring adviser, assisting in the financial restructuring and operational turnaround of troubled companies. Mr. Kopacz has in excess of eleven years of experience encompassing a number of professions and disciplines. Since 1991, he has worked in Poland as an independent consultant, functioning as a management and financial advisor to a number of organizations and enterprises. He has provided consulting services to the Polish Business Advisory Service, Price Waterhouse, Barents Group, the Citizens Democracy Corps, PADCO, Poland Partners, Trinity Management, Konsorcjum Raiffisien Atkins, and other Western and Polish groups on matters concerning general management planning, implementation, marketing and sales, finance, acquisitions, and privatizations. He has served companies in such varied sectors as chemicals, porcelain and ceramics, marine products, real estate, snack foods, food service, retail distribution, and food processing.

From 1988 to 1990, Mr. Kopacz worked in the United States as Vice President for National Operations with Constructa, a French real estate firm, where he assisted in the development, workout, and turnaround of U.S. based commercial and residential real estate properties valued at over \$100 million. Constructa's client companies included some of the leading financial institutions in France, including Banque Worms, Compagnie de Suez, BNP, and Generale des Eaux. From 1985 to 1988, Mr. Kopacz worked as an attorney in Washington, D.C., where he was engaged in general commercial legal practice involving finance, securities, tax, real estate, commercial litigation, and transactions.

In addition to his role at Crimson Capital, Mr. Kopacz currently serves as President and Founder of Providence Management Group, Sp. Z o o, a development management and consulting company serving the Polish market, as well as Vice President and Central Europe representative of Central European Capital Consultants, a Washington D.C. based investment bank, specializing in telecommunications finance in Central and Eastern Europe. Mr. Kopacz holds a B.A. from Rutgers, the State University of NJ, and a J.D. from Tulane University School of Law.

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Piotr Michalski

Piotr Michalski worked as a consultant in the field of corporate management and finance for over four years. He joined Warsaw Consulting Group Sp z o o in 1994, and in that position he has worked primarily on projects in the fields of operational and financial restructuring, as well as the privatization of state-owned enterprises. As a Warsaw Consulting Group consultant, Mr. Michalski worked for over a year as an advisor to the Bad Loan Department of Powszechny Bank Gospodarczy S A in Łódź, implementing Polish restructuring regulations for the companies and banks in a team established within the consortium of Warsaw Consulting Group and Boston Consulting Group.

Since 1996, under an agreement between Warsaw Consulting Group and Crimson Capital, Mr. Michalski became an Associate at Crimson Capital, providing services in the fields of operational and financial restructuring, privatization, as well as the solicitation of investment capital for state-owned and private enterprises.

Prior to joining Warsaw Consulting Group, Mr. Michalski worked as a consultant to Synergia Sp z o o and Brokerage House Guziejewska & Albrecht, and contributed as a lecturer to Live Wire, a program established by Shell Polska, where he was actively involved in the creation of a number of companies in the Łódź and neighboring provinces. In 1993, Mr. Michalski worked in the banking sector for Solidarność Chase D T Bank as a founder and officer of the Bank's office in the Łódź Province.

Mr. Michalski graduated with the highest honors from the Łódź University with a degree in Finance and Banking.

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Gerald H. Thompson

Gerald H. Thompson is a senior banking executive with more than 30 years of international commercial banking experience. Following a successful career with Bank of America, he has spent the last five years counseling banks in Central and Eastern Europe. He has focused on solving problems in the banks' equity and loan portfolios and on developing strategies for increasing the banks' competitiveness in the global financial markets. Mr. Thompson joined Crimson Capital in Warsaw in 1994 and has worked primarily with one of the nine state-owned banks created from the National Bank of Poland. In this capacity, he has served as financial adviser on the bank's successful acquisition of another large financial institution in Poland. Additionally, he has managed the due diligence team which valued six other Polish banks for potential acquisition. Mr. Thompson also advised one of Poland's most successful private banks on securing the lead manager role in a \$150 million greenfield manufacturing project and on restructuring and refinancing a \$20 million loan to a troubled steel company.

Before coming to Poland, Mr. Thompson spent nearly three years in Hungary advising the chairman of Budapest Bank Rt. Among other things, Mr. Thompson participated in devising the bank's privatization strategy which led to its being the first bank successfully privatized in Hungary. During this time he also advised the chairman of ÁV Rt, the Hungarian state holding company, on identifying and restructuring enterprises to whom the country's commercial banks had the greatest financial exposure. This assignment led to Mr. Thompson's evaluating 55 of ÁV Rt's largest equity investments and determining the financial position of 153 companies in ÁV Rt's loan portfolio.

As an executive with Bank of America, Mr. Thompson spent much of his time in Asia and the Pacific as Area General Manager, Australia and New Zealand, Senior Country Executive, Thailand, and Regional Vice President, Southeast Asia. Additionally, he served at the bank's headquarters in San Francisco as Senior Vice President, World Banking Division, and in Chicago as Area General Manager, Midwestern U.S.

Prior to joining Bank of America, Mr. Thompson served for three years as an officer in the U.S. Navy. He graduated from the University of California, Berkeley.

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Gold Medal for Opening of the Season

During the Consumer Trade Fair which takes place in Poznan in the period between 3 and 6 September this year one of the products of Lubelskie Zakłady Futrzarskie was rewarded with a gold medal. That recognition was given by consumers to a lady's jacket made of sheepskins with additions of fox's fur. The company couldn't have a better prognosis before the approaching winter season.

The awarded design is one of about 130 designs making a collection prepared for the coming winter season.

An official opening of the season has been planned to take place on October 5, when the new collection is to be presented in Kurow in spotlights. The event will have additional attractions, e.g. performance of "VOX" singers.

Before that, in the period between 14 and 30 September the company's shop at 97 Putawska Street in Kurow (tel. 311-105) will sell with a 10% rebate.

Deeper Breath of the Fur Makers of Kurów

Lubelskie Zakłady Futrzarskie (*The Lublin Fur Factory*) in Kurów which has recently undergone a very serious crisis has managed to avoid the worst, namely liquidation. Fortunately for its employees, who already were afraid that they would lose their jobs, on 23 August a bank conciliation agreement was signed with Powszechny Bank Kredytowy in Warsaw, which covers zł 3 mln worth of debt.

The debt has been partly forgiven, partly converted to shares of the future company. Thus the bank will become a co-owner of that company. At present, a petition is being prepared for conversion of the state-owned company, Lubelskie Zakłady Futrzarskie into a one-owner company of the State Treasury. Filing of that petition with the Minister of Ownership Changes is treated by PBK as fulfillment of its obligations under the agreement. The final decision, however, is up to the Minister. The conciliation agreement has not embraced the debt towards ZUS (*Social Insurance*) and the Income Tax Department, but those institutions agreed to spread the liabilities to instalments comfortable to the company - under the condition that payments are made on time, both with regard to the old debt and current dues.

The conciliation agreement began in February this year and was important for the company as it relieved it from the burden of service the credit drawn from PBA. The above plus the recent acute winter conditions improved the prospects in the fur-making industry. For the first time for many years ZZF managed to survive without drawing new working credits for financing of current operations. At the same time there came back a fashion of fur products, in this case those made of sheepskins. All that underlines the fact that the company is regaining its financial stability. Also an important factor are local activities undertaken by the company itself. A big attention is attached to promotional and marketing activities directed at meeting the domestic demand, which is treated as a priority. They cause concrete effects in the form of a considerable growth of sales. One of the halls of the building previously used for processing of nutria (*coypu*) skins which has been idle for many years has been adapted for promotional-exhibition purposes. At the end of August an action called "Leather Fashion Week" was organized here, in which five other companies of the industry participated in order to present to the clients a possibly widest offer. In the other parts of the building an exhibition and trading centre for skins and fur making is to be organized, mainly focusing on the needs of the Eastern markets. The place will operate as a wholesale, semi-wholesale and retail facility.

In view of expected clients the company has arranged a spacious and easily accessible parking lot. A custom-orders department to serve individual clients is planned. A novelty (*novica* began last year) is an official opening of the season, during which a promotion of a new design collection takes place. An event on that occasion planned to take place on October 5 is carefully prepared by the company. In order to make the show more attractive "VOX" singing group has been invited (among other attractions) and the collection presented consisting of about 130 models will include a *rusin* - a lady's jacket made of sheepskins with additions of a fox skin, which has been granted a gold medal at the Consumer Trade Fair in Poznań. If not the first one, it is one of very few awards of such a high rank in the history of the factory. Besides, a regular practice has become discounted sales actions, carried out in the company's shop in Kurów. The latest one began on the 14th this month and will last till the end of the month.

(mi)

Kurów Factory on the West European Markets

Although summer is still around the Lubelskie Zakłady Futrzarskie are carrying out intensive preparation for the coming autumn-winter season.

- In spite of many efforts our offer will not be as rich as we have planned - says Zbigniew Grzebiak, Sales and Marketing Director - That is connected with shortage of raw sheepskins. We import them from Italy, Germany, England, Spain. Since March the prices of the raw material have grown by 40%. That is a result of a high demand on the Asian market, especially Korean and Japanese.

In spite of the problems with the raw material the Lubelskie Zakłady Futrzarskie are preparing a very nice collection consisting of over 120 designs.

- We shall present them in the nearest time at several events - continues Zbigniew Grzebiak -

From 26 to 31 August a "Leather Fashion Week" will take place in Kurów. Apart from sheepskin coats there will also be shoes and leather products. At the beginning of September our collection will be shown at the Poznan Consumer Fair. Also, our products will be presented on September 21 in Sala Kongresowa (Congress Hall) in Warsaw during the final of the Miss Polonia 90 contest.

All premises show that the Lubelskie Zakłady Futrzarskie have overcome the worst. Over 50% of its products find buyers in the markets of Belgium, Germany, France and Canada.

- In the days of 5-11 September this year the International Fur Fair will take place in Paris. That is the biggest event of that kind in the world scale organized every two years - continues Zbigniew Grzebiak.

- We go there to watch the Paris fashion.

The Lubelskie Zakłady Futrzarskie like many other state owned companies, are bothered with financial liabilities arisen at the beginning of the eighties.

- We hope we will soon sign a conclusion agreement with our main creditor, Powszechny Bank Kredytowy in Warsaw - states Zbigniew Grzebiak. - The debt limits our production activity, regulation of that matter will create conditions necessary to start the privatization of our company by way of its transformation, in the 1st phase, into a one-owner company of the State Treasury.

Caption: Such a suit made of a sheepskin both warms up and attracts attention.

Winter is coming, buy a sheepskin coat before it becomes more expensive!

Gold for Kurów

The Gold Medal received at the International Trade Fair in Poznan - Autumn '96 is for Lubelskie Zakłady Futrzarskie in Kurow an unquestionable success and a crowning of its employees' efforts. The medal awarded for a lady's jacket made of velour and finished with a fox's fur confirms the highest quality of the LZF products and attractiveness of the design which reflects the world trends.

Again, sheepskin coats are an attraction of the leading fashion houses. It is worth to take advantage of the next promotion action. In the period from 14 to 30 September the company's showroom-shop in Kurow, open between 9 a.m. and 5 p.m. will grant 10% allowance for purchases of products manufactured by the company. Attractive prizes are foreseen for clients who buy for more than zł 2000. This is the last chance to furnish oneself with a warmer sheepskin coat before the official opening of the season, which is to take place on October 5th this year.

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POLELOAT SAINT-GOBAIN

Glass Plant to Open in October

Polefloat's float glass works in Strzemieszyce near Dąbrowa Górnicza, the most modern plant of its kind in Europe, is slated to start operations in October. The investment is the latest in a long line of deals in Poland by France's Compagnie de Saint-Gobain.

Saint-Gobain owns parts of eight companies in Poland, producing float glass, car windshields and building materials. Its largest project is the Strzemieszyce works, a greenfield investment worth an estimated 200 million Deutschemarks

(DM). Saint-Gobain paid DM 94 million of its own funds and is taking out bank loans for the rest.

Financing the project has meant creating a consortium of six Poland-based banks and four foreign banks, arranged by Warsaw branch of ING Bank N.V. and Bank Rozwoju Eksportu (the other Polish banks are the Polish Development Bank, Bank Śląski, Bank Gdański and IBP Bank SA). The consortium is lending DM 80 million which will have to be paid back in 8.5 years.

This contract is making history not only because of the loan value but also

because the investment project itself is collateral. ING Bank (Warsaw) General Director Stan Szczurek said at a June 12 press conference. "I believe there will be more similar projects in Poland now."

The glassworks will employ 300 people and produce 55,000 sq m of float glass per day. The plant should operate for 30 about years with breaks every 10 years for maintenance and repairs. For now the plant will sell its products domestically. Guy Roll, Compagnie de Saint-Gobain's general representative in Poland, says that a construction boom in Poland should

lead to fast-growing demand for glass.

With every second car in Europe fitted with a Saint-Gobain windshield it's no surprise that Saint-Gobain also has its eyes on the Polish auto industry. Windshields are the company's leading product.

Saint-Gobain was established in 1665 when it supplying the Versailles palace with windows and glass. Today the company has annual turnover of DM 237 billion and is France's ninth largest company. Its works in 37 countries employ 90,000 people.

Andrzej Bielecki

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Third Polish company turns to convertible bonds

BY MAŁGORZATA HAJDARA

Zwoleń, a leading Polish producer of towels and blankets located in Żabno, last week announced an issue of zł 27 million (\$1 million) in convertible bonds.

The offering makes it the first company, which is at least partially owned by the State Treasury and undertook a debt for equity swap through a bank consultation agreement to use this new financing tool. It follows on the heels of two other Polish companies, Optimus SA and Bank Komunalny w Gdyni, that have issued convertible bonds.

'We went for convertible bonds because this is a less expensive way of finding the new

capital,' said Stanisław Kacperowski, Zwoleń's managing board president. The interest rate would be about 1% lower than in the case of credit.

The bonds' coupon will be 4% every quarter, based on the weighted average yield of 11 week treasury bills from the four most recent auctions. The issue was bought by two banks: Powszechny Bank Gospodarczy Investment Fund took zł 18 million (\$666,000), and the remainder zł 9,000,000 (\$333,000) was purchased by Powszechny Bank Gospodarczy (PBG).

Both bondholders will have four years to convert the bonds into the company's shares. Each bond, which has a face value of

zł 10,000 (\$3,700), can be exchanged for 1,000 shares. If the bonds are fully converted into equity they will increase the company's share capital to 927,000 shares and will account for nearly a third of the company.

The company hopes to eventually go public, but has not yet set a timetable for seeking a listing. It is issuing the bonds to finance a modernization program at its printing plant.

'The total investment will be zł 4 million (\$1.5 million),' Kacperowski said. Zwoleń was founded in 1916 and by the 1980s was a leading producer of towels and cotton blankets. It ran into trouble after the transition. At the start of 1994, the company concluded a bank consultation agreement with PBG and

later was transformed into a state treasury company. In July 1995, based on the bank consultation agreement, the company's shares were taken over by creditors, with PBG, the State Treasury and the Industrial Development Agency, a government fund for industry being the major stakeholders.

Since 1991 the company has launched a restructuring program, aimed at improving quality and opening new distribution channels. This helped boost 1995 gross profits by 43% to zł 1 million (\$3.5 million) as compared to the previous year, while net profit rose 93% to zł 31 million (\$11 million) compared to 1994 and a net loss of zł 216,000 (\$80,000) in 1993.

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GBG PRAWIE PBK

(A) Powiatowy Bank Kredytowy w Warszawie obejmie ponad połowę udziałów w Górnośląskim Banku Gospodarczym. Wczoraj w Warszawie przedstawiciele obu banków podpisali porozumienie w tej sprawie.

Za 15 mln zł PBK kupi 51 proc. akcji śląskiego banku. Ostateczną decyzję w sprawie transakcji podejmie pod koniec kwietnia Nadzwyczajne Walne Zgromadzenie Akcjonariuszy GBG ale – jak nam powiedział wiceprezes PBK Sławomir Sikora – wyrazili już oni wstępną zgodę.

W tej chwili do największych udziałowców GBG należą Centrala Zaopatrzenia Hurciarstwa (25 proc. akcji) Kopex (17 proc.) i Węgielokoks (9 proc.). Do 20 kwietnia mają oni kupić akcje serii L o wartości nominalnej 7 mln złotych. Zdecydują również o zmniejszeniu uprzywilejowania akcji.

Zawarte wczoraj porozumienie to początek powstawania grupy bankowej wokół PBK. W przyszłości oprocz banków mają do niej wejść

również niebankowe instytucje finansowe – m.in. powstałe ostatnio Towarzystwo Leasingowe PBK oraz towarzystwo ubezpieczeniowe, które, jak liczą przedstawiciele PBK, wkrótce uzyska licencję.

– To jest najważniejszy dzień w pięcioletniej historii naszego banku – powiedział po podpisaniu poro-

zumienia prezes GBG Franciszek Trzcionka. Dzięki umowie zwiększa się możliwości banku: kapitał akcyjny GBG wzrósłby z 11,1 do 29,6 mln zł, a jego fundusze własne wyniosłyby ok. 40 mln zł. Oznacza to, że GBG będzie mógł m.in. udzielać większych kredytów.

PBK zyskuje przede wszystkim możliwość korzystania z kalkulusu oddziałów GBG – warszawski bank ma ich w województwie katowickim tylko trzy (biłk)

GBG ALMOST PBK

Powszechny Bank Kredytowy SA (PBK), based in Warsaw, will acquire more than a half of the shares in Gornoslaski Bank Gospodarczy SA (GBG), based in Katowice. Yesterday in Warsaw the representatives of the banks signed a letter of intent.

PBK will purchase 51% of the Silesian bank shares paying PLN 15 mln. The final decision concerning the transaction will be made at the end of April by the Extraordinary Assembly of GBG Shareholders. However, according to Stawomir Sikora, PBK Vice-President, they have already expressed a preliminary consent.

Currently, the GBG biggest shareholders include Steel Works Supply Center (25% shares), "Kodex" (export-import - 17%), "Weglokoks" (coal export - 9%). By April 20 they are to buy the shares of L series of PLN 7 mln face value. They will also decide on liquidating the seniority of shares.

Yesterday-signed agreement is the beginning of the PBK banking group. In the future, it will include also non-banking financial institutions, among others, the PBK Leasing Company and an insurance company that as the PBK representatives hope, will soon get the license.

"It is the biggest day in the 5-year history of our bank," said Franciszek Trzcionka GBG President after signing the agreement. "Thanks to this agreement the bank will increase its potential. GBG's equity would rise from 11.1 to PLN 29.6 mln and its own funds would amount to about PLN 40 mln. It means, among others that GBG will grant bigger loans."

PBK will obtain a possibility to use GBG several branches since the Warsaw-based bank has only three in the Katowice province.

BANKI

Powszechny Bank Kredytowy i Górnośląski Bank Gospodarczy

Blżej konsolidacji

Powszechny Bank Kredytowy SA i Górnośląski Bank Gospodarczy SA podpisały wczoraj porozumienie dzięki któremu PBK może nabyć kontrolny pakiet akcji GBG (50 proc. plus jedną akcję). Aby porozumienie zostało „skonsumowane” musi być jeszcze spełnionych kilka warunków.

Rozmowy o zakupie akcji GBG przez PBK trwały się od października ub. r. W pewnej fazie rozmów Rada Banku i PBK zgłosiła swe zastrzeżenia co do zasadności inwestycji, ale ostatecznie na początku tego miesiąca zgodziła się na nią. Uczestnictwo w konsolidacji systemu bankowego jest bowiem elementem długookresowej strategii PBK, który chce być jednym z liderów w tym procesie — powiedział dziennikarzom wiceprezes PBK Sławomir Sikora i dodał, że do tej pory bank ten przejął sześć oddziałów Rybnic

PBK reinwestuje ok. 15 mln zł w nowe akcje GBG, dzięki czemu będzie miał 50 proc. plus jedną akcję tego banku. Nadzwyczajne Walne Zgromadzenie Akcjonariuszy GBG, które ma podjąć decyzję o emisji akcji serii I przeznaczonych dla PBK odbędzie się 29 kwietnia. Na tym NWZA akcjonariusze mają też dokonać zmian w statucie banku oraz zidentyfikować w prawach jego akcje, co jest jednym z warunków umowy GBG z PBK. Ponadto dotyczący akcjonariusze, wśród których są Centrala Zaopatrzenia Hutniczego Kopex Węgłokoks oraz Katowicki Holding Węglowy mają objąć nowe akcje GBG warte 7 mln zł. Ta emisja ma zakończyć się ok. 20 kwietnia.

— Są jeszcze inne warunki, które nie zależą od NWZA — powiedział S. Sikora — NBP zadeklarował wstępnie wsparcie w postaci zwolnień dla GBG...

na piśmie. Do zawarcia jest porozumienie z dotyczącymi akcjonariuszami sankcjonujące wstępne uzgodnienia w sprawie współpracy największych akcjonariuszy GBG: biznes planu oraz wsparcia akcjonariuszy dla banku.

W efekcie ma powstać grupa bankowa o sumie bilansowej ok. 6 mld zł (w tym ok. 280 mln zł GBG) dysponująca ponad 70 oddziałami (GBG ma 11 oddziałów na Śląsku i jeden w Warszawie). W skład grupy wejdą też niebankowe instytucje finansowe: towarzystwo leasingowe powołane już przez PBK oraz firma ubezpieczeniowa („mamy nadzieję, że PBK uzyska licencję” — powiedział S. Sikora). Oddzielnie ma działać pion bankowości inwestycyjnej, który zostanie albo wydzielony z PBK, albo powstanie w wyniku zakupu i zmiany profilu mniejszego

CLOSER TO CONSOLIDATION

Yesterday Powszechny Bank Kredytowy SA (PBK), based in Warsaw, signed an agreement to take a controlling interest (50% plus one share) in Gornoslaski Bank Gospodarczy SA (GBG), based in Katowice. Prior to consummation of the agreement some conditions have to be met.

The talks on PBK's purchase of GBG's shares have been held since October 1994. In a certain stage of the talks, the PBK Management Board questioned the reasonableness of the investment but eventually, at the beginning of this month, consented to it. "The participation in consolidation of the banking system is a part of the PBK long-term strategy and we want to be the leader in this process" said Sławomir Sikora, PBK Vice-President. "So far our bank has acquired six branches of the Bydgoszcz Municipal Bank"

PBK will invest about PLN 15 mln in GBG new shares and will get 50% plus one share in the bank. The Extraordinary Assembly of GBG Shareholders that is to decide on the issue of L series shares assigned for PBK will take place on April 29. During this EAS the shareholders are to amend the bank statute and liquidate the seniority of shares which is one of the conditions in the agreement between GBG and PBK. Besides the existing shareholders, among others Steel Works Supply Center, "Kobex" (export-import), "Węgielokoks" (coal export) and Katowice Coal Holding, are to acquire new GBG shares of PLN 7 mln value. This issue is to be finished about April 20.

"There are some other conditions to be satisfied and are not subject to ESA," said Sławomir Sikora. "The National Bank of Poland (NBP) has given its preliminary consent to exempt GBG from a part of the mandatory provisions and now we need a written consent. Also, we have to enter an agreement with the existing shareholders that authorize preliminary arrangements on the cooperation of the GBG biggest shareholders' business plan and shareholders' support for the bank."

As a result, a banking group of about PLN 6 bln (including GBG's PLN 280 mln) with over 70 branches (GBG has 11 branches in the Silesia and one in Warsaw) is to be created. The group will also include non-banking financial institutions: a leasing company created by PBK and insurance company ("we hope that PBK will get the license," said Sikora). PBK is going to fund a separate investment banking department that will be separated from the bank or created as a result of a purchase and change of the profile of a smaller bank.

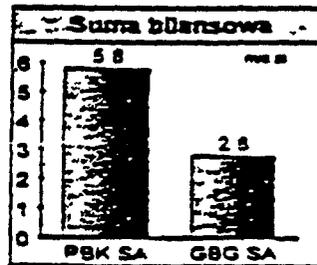
WARSZAWSKO-KALOWICKA

konsolidacja

Powszechny Bank Kredytowy SA i Gornoslaski Bank Gospodarczy SA podpisały w srodę porozumienie o nabyciu przez PBK kontrolnego pakietu akcji GBG. Wcześniej dotychczasowi akcjonariusze zwiększą kapitał ok. 7 mld zł. NBP obiecał zwolnienie GBG z części rezerwy obowiązkowej.

Poza warunkami, które mogą spełnić akcjonariusze, PBK wystąpił do NBP o zwolnienie części rezerwy obowiązkowej GBG - powiedział wiceprezes PBK Sławomir Sikora. Bank centralny zadeklarował już wcześniej zgodę. Niezbędne jest również porozumienie z pozostałymi udziałowcami - obecnie obejmuje jedynie największych. Prezes podkreślił, że doradztwo w sprawie fuzji z GBG było współfinansowane przez USAID (Amerykańska Agencja Rozwoju), która pomaga również PBK w rozwoju bankowości inwestycyjnej.

Potencjał GBG nie był dotychczas w pełni wykorzystany czego przyczyną był niedostateczny kapitał - stwierdził prezes Franciszek Trzcionka. Jego podwyższenie pozwoli na zwiększenie konkurencyjności i rozszerzenie oferty a współpraca z PBK - m. in. na unowocześnienie informatyki. Bank chciałby zwiększyć udział kredytów dla dużych klientów nie zapominając o dotychczasowych - indywidualnych oraz small businessie.



W ramach grupy bankowej, której suma bilansowa przekroczy 6 mld zł, oba banki zachowają strukturalną i prawną niezależność.

Również w srodę PBK uruchomił nową siedzibę swego oddziału w Grodzisku Mazowieckim. Prezes Sikora poinformował akcje, że przeprowadzono rozmowy z władzami Warszawy. Bank zadeklarował współfinansowanie inwestycji typu budowa mostu siekierskiego, spółka smetki czy dokonczenie oczyszczalni ścieków Kretwi na budowę metra miasto spłaci finansowo - choć możliwe są również inne rozwiązania.

P.S.

WARSAW-KATOWICE CONSOLIDATION

On Wednesday Powszechny Bank Kredytowy SA (PBK), based in Warsaw, signed an agreement to take a controlling interest in Gornoslaski Bank Gospodarczy SA (GBG), based in Katowice. Earlier the existing shareholders agreed to increase the bank's capital by approximately PLN 7 mln (USD 2.9 mln). The National Bank of Poland (NBP) promised to exempt GBG from a part of the mandatory provisions.

"Besides the conditions that are to be met by the shareholders, PBK applied to NBP to exempt GBG from a part of the mandatory provisions," said Sławomir Sikora, PBK Vice-President. "The National Bank has given its preliminary consent. Also we have to conclude the agreement with other shareholders because currently we signed it only with the biggest ones." The President emphasized that the USAID program co-financed consultant work with PBK relating to the merger with GBG. Also, USAID assists PBK in the development of investment banking.

According to GBG president, Franciszek Trzcionka, the bank's lack of capital to date has meant that the bank has not realized its potential. The increase in capital will allow the bank to be more competitive and to expand its services. The cooperation with PBK will allow GBG to modernize the automation, among other improvements. GBG seeks to enlarge the loan action for big clients and maintain the existing ones, i.e. individuals and small business.

Both banks will preserve its structural and legal independence within the banking group. The total balance of which will exceed PLN 6 bln.

Also on Wednesday PBK opened its new branch in Grodzisk Mazowiecki (about 30 km west of Warsaw). President Sikora informed that talks with the Warsaw authorities were held and the bank declared to co-finance some investment, construction of a new bridge and a waste-burning plant. The Warsaw authorities will pay back the loan for the underground construction, however, other solutions are also possible.