

THE JONBERG GROUP

INTERNATIONAL CONSULTING & BROKERAGE CORPORATION

Mergers and – Acquisition

CONFIDENTIAL

M&A CONSULTANTS

INVESTMENT OPPORTUNITY

Business Type: Refrigeration and air-conditioning industry - Electric-energy battery, which is stored in ice and released in the cold

Business Description:

Construction of a new production plant and introduction to the international markets of an innovative on a global scale and a patented solution which is a Cold-energy battery and purchase of shares in a production and distribution company.

Cold-energy battery, trade name ICE-ON, enables the accumulation of electricity in ice and the transfer of this energy in the form of cold to industrial processes as well as air conditioning. ICE-ON as Energy Storage is **applicable in all industries** where cold is used for technological purposes, such as: food processing industry, chemical industry, pharmaceutical, plastics, electronics industry, precision industry, etc. and in air-conditioning systems of centrally cooled non-residential buildings as: production plants, office buildings, hotels, shopping centres, hospitals, concert halls, schools, cinemas/theatres, sports halls, etc.

Thanks to the energy accumulation function, ICE-ON enables **cost reduction** of generating cold, and thus operating costs in each of the sectors or industries mentioned above. This effect is possible due to the time shift in which electricity is consumed, necessary to charge the cold-energy battery - from the most expensive day/day peak hours to night hours when electricity is the cheapest. Release of the accumulated cold/battery discharge takes place during the day when electricity is the most expensive. The price difference of electricity tariffs used during the day, when the energy demand is greatest, compared to the nights, when the energy demand is the lowest, is a significant saving in the total cost of cold production. The second level of financial benefits is due to battery operation in more favourable conditions of the environment (lower external temperature), which enables the device to work with higher effectiveness, thanks to which a higher level of efficiency is achieved that translates directly into approx. 15% savings in production costs of the cold.

Starting ICE-ON during the hours of the highest outdoor temperatures relieves the work of ice water chillers operating during the day at top performance at lower efficiency, which has a positive effect on

1

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relieving the transmission networks in the hours of greatest demand for electricity, while contributing to the **reduction of CO₂**.

The Cold-energy battery is protected by patents. Patent applications were registered at the Patent Office of the Republic of Poland on 30/03/2018 at the numbers:

1. P.425097 "Equipment for cold production and storage"
2. P.425098 "Heat exchange unit for heat pump equipment, especially evaporator for ice making and storage equipment"

An application was also submitted to the European Patent Office under numbers 18730881.2-1008 and 18729765.0-1008. Both applications in the "Report on the state of the art of the application" prepared by the Patent Office of the Republic of Poland received the category 5 x A, which means that applications have an inventive level, and are characterized by new features and their scope is not questioned. Currently, international procedures for domestic applications are being carried out in India, China, the USA, Japan, Korea and the UAE. Australia is in preparation stage. The protection of the "ICE-ON" trademark is under preparation.

The accumulation of electricity in the form of ice is widely used on the market of the United States, which is most-developed in terms of saturation with various types of air-conditioning and refrigeration equipment. For this purpose, tanks with many larger sizes are used. Installation of such stationary cold storage tanks being engineering structures requires a construction project, building permit etc. and is, above all, very expensive. According to the 2016 Transparency Market Research Report the leading companies include Chicago Bridge & Iron Company (CB&I), CALMAC, EVAPCO, Inc., Goss Engineering Inc., Abengoa Solar, SA, Baltimore Aircoil Company, BrightSource Energy Inc., Caldwell Energy, FAFCO Thermal Storage Systems, Burns & McDonnell, TAS Energy, Ice Lings and Cristopia. These companies operate on a 'hermetic' market, closed for medium and small market users and do not compete in the fast-growing market of small-scale projects. All systems are based on frosted and defrosted tanks in a continuous manner throughout the entire volume, which causes a decrease in the efficiency and performance of the systems over time. Only ICE ENERGY from USA with the Ice Bear product, offering the device on the market of the same size as ICE-ON, is the only real competition in the segment of small installations in the world. The technology used by this company causes freezing of the entire mass of water in the tank due to the densely arranged, copper cooling coils, which in comparison to the solutions used in ICE-ON, is not a technological or price competition.

Innovation, and thus the advantage over the competition lies in the discovery of the **method of cyclical and controlled removal of ice of appropriate thickness** in the form of a uniform sheet from the surface of the exchanger. The active surface of the exchanger is, thanks to this method, always free of excess ice, which through uncontrolled growth creates an insulating barrier that causes the efficiency of each refrigeration appliance to decrease. **Even icing of the radiators of the heat exchanger and cyclical ice break-off** are the basis for high efficiency of an innovative exchanger.

Evidence that the world is warming up is evident nowadays, and the effects of this process are devastating. **It is predicted that the amount of energy consumed worldwide for cooling will exceed the amount**

2

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used for heating up to 2060 and the global demand for air conditioning will triple over the next 30 years.

Electricity consumption for refrigeration and air conditioning is growing steadily and already represents an average of about 20% share of total energy consumption per year and a 40% share of energy consumption in the summer.

One of the greatest technological challenges in the field of energy intensification is economically viable energy storage. ICE-ON compared to all other energy stores is characterized by unique features that put it among the market leaders with the best ratio of stored energy to the price of the device as a function of time. It maximizes the effect of cheap energy at night, has the highest efficiency, because it uses only one conversion of electricity into cold energy, while the energy in chemical batteries is converted twice. The consumption profile is also ideally suited to the possibility of obtaining the cheapest energy, which makes this technology not only the cheapest in the production of energy storage, but also the cheapest in operation.

- It would just be enough to imagine that all this cooling energy can be sent at night, and then we will come to the conclusion that there will be no need to expand the transmission lines, it is enough to make better use the existing possibilities.

Distribution:

Cooperation in each country with electricity distributors, refrigeration and air conditioning companies as well as companies servicing refrigeration and air conditioning devices, designers of systems and buildings, industrial processes and energy auditors.

Installing ICE-ON at the customer by an energy distributor allows for long-term customer retention by extending the term of the contract for the supply of electricity to 5-10 years, gives the distributor the opportunity to sell a new product understood as EaaS (Energy as a Service) and the sales portfolio of additional services saving / optimizing customer's energy consumption.

The use of ICE-ON allows for a 15% reduction in energy consumption in relation to other optimization solutions, which is related to the improvement of the efficiency of the cooling unit generating cold and working at night. However, the most important advantage for the distributor in the long term is the optimization of the power grid (stabilisation) in the field of DSR and DER. Ensuring maximum sales of energy accumulated at night and avoiding network overload during the summer during peak hours. (use of the full potential of the network without the need to build new lines). Releasing network transmission capacities during the day - the possibility of selling an additional amount of energy.

Services:

Due to the increasing interest of customers in the possibility of using fixed assets, and not their possession - the service of supplying cold/ACH rental was assumed at 30% of total production and sales of devices at the level of 70% of production in the proposed financial model. Rental of the batteries will allow to build the Company's value over time through the number of owned and managed ACH pieces, as well as deriving benefits from both the service itself and from financing the device during its lifetime. Cold delivery/ACH rental service enables maintaining customer relationships by providing service in the long term than counted only until the end of the warranty period, and from the point of view of the customer - trouble-free use of the

3

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device. The customer does not bear the costs of installing the devices. The settlement of the rental cost takes place through the sale of the cold unit for a price of about 20% lower in relation to the costs incurred by the client to date. Both models allow the use of the potential associated with the program for management of distributed energy sources understood as the Virtual Power Plant, which will introduce the company to a completely new level, previously unattainable one, at which the main players are electricity trading companies. Distributed energy management software provides an additional opportunity to generate significant revenues based on the difference in energy purchase prices in wholesale quantities and the sale of a cold delivery service for which the energy was previously purchased at peak prices.

Benefits for the customer:

- About 50% lower energy costs used to obtain cold.
- high stability and performance of the device with practically negligible fall in time
- maintaining cooling comfort thanks to the ability to react dynamically to changing demand
- ability to limit loads and excessive demand for power, particularly during power interruptions
- high service life, low service and maintenance costs
- high work safety understood as failure-free operation
- flexible duration of charging and discharging the battery
- the cheapest of all types of energy storage systems
- versatility of use, flexibility at the time of installation
- a product responding to the needs of environmental protection - reduction of CO2 emission

Transaction:

At the moment, all activities related to the Cold-energy battery and R&D works have been and are being carried out in the area of OPE - (Organized Part of the Enterprise) company (Confidential – To Be Disclosed) established a special purpose entity called (Confidential – To Be Disclosed) to which all ownership rights to the Cold-energy battery, patents and production plant shall be transferred. The subject of sale/investment are shares in the company (Confidential – To Be Disclosed) For the duration of the task of transferring the OPE to the special purpose entity, the parent company has been operating on the market in an uninterrupted manner since 1997 providing construction services - from project planning [as “substitute investor”] through design, general contracting to the moment the facility is handed over. The company offers high quality services, cost optimization and timely implementation in line with the key company motto "Construction on time".

The proposal concerns the acquisition of shares in (Confidential – To Be Disclosed) in three stages:

Stage I - 2019-2021
Stage II - 2022 and 2023
Stage III - 2024-2029

4

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Payments from the Strategic Investor in the first three years in amounts as outlined below will be used for: construction of a new plant, product development, marketing including pilot installations, production of the first 2850 units and improvement of technology with the implementation of the invention in derived areas, such as our own building development investment, which is currently being implemented in Warsaw, in which the installed device is used to recover thermal energy from grey sewage.

2019 - Financial demand - 20.4 million USD

Phase I implementation - construction of a new Production Plant, which will include a multi-functional hall (production and warehousing part), as well as an office and social building for the needs of modern facilities, including the plant's laboratory. At the same time, product promotion and further development of ACH will be conducted on a large scale, in particular system software for "Distributed Energy Management and Virtual Power Plant using the network of Ice Storages".

2020 - Financial demand - 15.7 million USD

Phase II - production of the first 1200 pieces of Cold-Energy Batteries in the Plant. Marketing and pilot programs in selected countries around the world. Further work on product improvement including the development of a "new coating with reduced ice adhesion with an integrated heating layer".

2021 - Financial demand - 18.6 million USD

Phase III - achievement of full production capacity in the Plant (3200 pcs. of ACH, including 1600 items financed from the amount from the financial demand assigned to 2021). Further marketing, commercialization and development of derivative products using the innovative technology used in ACH.

The value of the entire investment for the first three years of development and introduction of the product to global markets is estimated at USD 54.7 million.

Additionally, in the first stage, a wide-ranging product promotion is planned on the markets of 9 countries - apart from Poland, those are: Germany, France, Spain, USA, Australia, Israel, India, China, Turkey.

The value of promotional and information activities including installations of pilot devices in these countries during the first five years is a cost of 11.3 million USD.

Financials:

- In the adopted model for this project there is a high return on investment and invested capital.
- NPV of the project is estimated at the level of: 54,949,369.97 PLN
- IRR of the project is estimated at the level of: 26.97%
- The level of cash at the end of the forecast period is: 108,309,883.54 PLN

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Financial Summary

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>	<u>2029</u>
Net profit	58	-3805	-2455	2439	5285	1029 1	1372 2	1714 8	2074 8	2428 7	2790 7
Adjusted EBITDA net profit minus depreciation (as there are no financial costs, the model was tax-neutral)	216	-3110	-1624	3504	6840	1237 2	1637 1	2037 6	2419 1	2822 3	3225 5
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Financial Summary

Other Highlights

Location	Reviewed Financials	Management Team in Place	Years in Business	SIC Classification
Europe/Asia/Australia	Company (Confidential – To Be Disclosed) z ograniczoną odpowiedzialnością Budownictwo Sp. k. is subject to the obligation to audit financial statements. Reports are available on request from the last 5-10 years	The management of the company has many years of experience in running businesses and launching new products for sale	22	PKD according to the Polish classification 28, 25, Z,

6

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BUYER’S CONFIDENTIALITY AGREEMENT

Seller Number: 779
Description: European Investment

This Agreement was entered into on _____ 2018 between **THE JONBERG GROUP INTERNATIONAL CONSULTING AND BROKERAGE CORPORATION** with its registered seat in Chicago (Illinois, USA) and _____ with its registered seat in _____, hereinafter referred to as the “Parties.”

Subject Property(s)/Company(s)/Business Name and Address: _____

As a condition to receive Confidential Information (defined below) concerning the business entity, investment, and Real Estate identified below. The Parties agree as follows:

You have requested information on the seller opportunity cited above in connection with your consideration of a possible transaction with the Company which information is non-public, confidential or proprietary in nature. As a condition of our furnishing such information to you, we are requesting that you agree, as set forth below, to treat confidential such information and any other information that either we or our agents furnish to you, or which you may obtain from any of the foregoing persons in connection with your further investigation of the Company (including any analyses, compilations, studies or other documents you, your agents or representatives might prepare which contain or otherwise reflect such information), whether furnished before or after the date of this letter, whether furnished orally or in writing or gather by inspection, and

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regardless of whether specifically identified as “confidential” (collectively, the “Evaluation Material”).

You agree not to use any of the Evaluation Material for any purpose other than the exclusive purpose of evaluating the possibility of a transaction relating to the Company. You agree that the Evaluation Material will not be used by you in any way which is to the competitive disadvantage or otherwise detrimental to the Company in the sole judgment of the Company’s management and that such information will be kept confidential by you and your agents; provided, however, that (i) any such information may be disclosed to your directors, officer, employees, representatives and agents who need to know such information for the purpose of evaluating a possible transaction between you and the Company (it being understood that such directors, officers, employees, representatives and agents shall be informed by you of the confidential nature of such information and shall be directed by you to treat such information confidentially), and (ii) any disclosure of such information may be made to which the Company shall consent in writing.

If at any time you consider a transaction which would involve participation directly or indirectly by a third party, you agree that such third party will execute an agreement satisfactory to us prior to disclosure to such party of any Evaluation Materials.

Without the prior written consent of the Company, you will not, and you will direct your directors, officers, employees, representatives and agents not to, disclose to any person either the fact that discussions or negotiations are taking place concerning a possible transaction between you and the Company or any of the terms, conditions or other facts with respect to any such possible transaction, including the status thereof. The term “person” is used in this letter shall be broadly interpreted to include without limitation any corporation, company, partnership or individual.

In the event that no transaction is effected between you and the Company after you have been furnished with our obtained Evaluation Material or either you or the Company notify the other that it does not wish to proceed with a transaction, you will promptly upon the request of the Company or their financial advisors deliver to the Company the Evaluation Material, except for that portion of the Evaluation Material which consists of analyses, compilations, studies or other documents prepared by you or on your behalf, without retaining any copy thereof or any notes relating hereto. That portion of the Evaluation Material, which need not be delivered to the Company pursuant to the foregoing sentence, will be destroyed.

8

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The term “Evaluation Material” does not include information which (i) becomes generally available to the public other than as a result of disclosure by your or your

representatives, or (ii) was available to you on a non-confidential basis prior to its disclosure to you by the Company or its representatives.

Although you understand that we have endeavored to include in the Evaluation Material information known to us, which we believe to be relevant for the purpose of your investigation, you further understand that we do not make any representation or warranty as to the accuracy or completeness of the Evaluation Material. You agree that neither the Company nor their financial advisors or any of their representatives shall have any liability to you or any of your representatives resulting from the use of the Evaluation Material by you or such representatives.

It is further understood and agreed that no failure or delay by the Company in exercising any right, power or privilege hereunder shall operate as a waiver hereof, nor shall any single or partial exercise hereof preclude any further exercise thereof or the exercise of any right, power or privilege hereunder.

You further agree that you will make no effort circumvent or to contact directly or indirectly the directors, officers, employees, representatives or agents of the Company with regard to the possible transaction without the prior written consent of THE JONBERG GROUP INTERNATIONAL CONSULTING & BROKERAGE CORPORATION or their Cooperating Intermediary if one is involved.

This Agreement is subject the State of Illinois Laws in the United States of America, however, where the two conflicts the Illinois Laws prevail. This Agreement contains the entire Agreement between the Parties, and may be modified only by a writing signed by the party against whom the writing is to be enforced. In addition to any and all remedies available at law, you agree that the Company shall be entitled to equitable relief including injunction and specific performance, in the event of any breach of this agreement.

This Agreement shall become effective on the above date (Date of the Agreement) first written and shall continue for a term of Five (5) years from the termination date of negotiations.

9

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No Obligation to Enter into Transaction: This Agreement does not obligate either Party to enter into a transaction with the other Party.

Maintenance of Business Relationship: The Parties acknowledges and recognizes that Disclosing Party has developed and is in the process of developing relationship with other parties including but not limited, joint ventures, customers, clients, vendors, suppliers, associations, and other business relationships (“Relationships”) and that such Relationships are fundamental to the well-being and success of each Party and that such Relationship may be disclosed in the Confidential Information given to the other Party. The Parties agree that it will not circumvent or interfere directly and/or indirectly with the other Party’s Relationships and that it will not contact such Relationships unless the other Party has a business relationship with such third party prior to the date of this agreement or hereafter develops a business relationship in the ordinary course of business as can be established by written documentation or other conclusive evidence.

I/we acknowledge that I/we have received an exact copy of this Agreement and that I/we have read this Agreement carefully and fully understand it. I/we agree to be bound by its terms. I/we understand that violation of any of the terms of this Agreement may cause irreparable harm for which Broker shall be entitled to injunctive relief, together with Party’s damages, including reasonable attorney’s fees and court costs for which I/we agree to be responsible.

The terms of this agreement shall terminate upon the third anniversary of the date set forth below.

If you are in agreement with the foregoing, please sign and return one copy of this letter, which will constitute our agreement with respect to the subject matter of this letter.

10

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Signature Page

**Business Representative or Seller
Company**

_____	_____	_____
First Name (Print)	Last Name (Print)	Title

Company Name/Description

Address

_____	_____	_____
Office ph#	Cell#	Fax#

Date of Agreement

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed as of the date first above written.

Buyers’/Principal Full Name (Print)	Title	Date
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Buyers’/Principal Full Name (Signature)	Date
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Wesley JonBerg, <i>President & CEO</i> THE JONBERG GROUP INTERNATIONAL CONSULTING & BROKERAGE CORPORATION	Executive (Signature)
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