

Approved:

UAB Nordstreet

By order of the CEO of 12 March 2020

No 2020-03-12 VV-1

UAB NORDSTREET

RULES FOR ASSESSING THE PROJECT OWNERS' RELIABILITY

I. GENERAL PROVISIONS

1. Rules for assessing the project owners' reliability (hereinafter – the **Rules**) of UAB Nordstreet (hereinafter - the **Company**) set out the requirements in order to assess the project owners' credibility, including criteria for assessing the reputation and creditworthiness of project owners.
2. Terms used in the Rules shall be understood as defined in the Law on Crowdfunding of the Republic of Lithuania, unless otherwise specified in the Rules.
3. These Rules set forth the procedure to be followed by the Company.
4. The Rules are drafted in accordance with the Law on Crowdfunding of the Republic of Lithuania and its implementing legal acts.
5. The company shall adopt, implement and maintain adequate and effective means, processes and methods to ensure that these Rules are consistently complied with. The Company must take the necessary measures to prevent the use of the Company Platform for criminal purposes.

II. DEFINITIONS

6. Unless the context requires otherwise, the capitalised terms used in these Rules shall have the following meanings:
 - 6.1. **Company Platform** – an information system administered by the Company (<https://www.nordstreet.com>), which is used to carry out the crowdfunding.
 - 6.2. **Project Owner** – the person initiating the Project, which the Company announces to the Funders through the Company's platform.
 - 6.3. **Law** – Law on Crowdfunding of the Republic of Lithuania.
 - 6.4. **Reliability assessment** – assessment of the Project Owner's reputation and creditworthiness carried out by the Company.
 - 6.5. **CEO** – director of the Company.
 - 6.6. **Supervisory authority** – the Bank of Lithuania.
 - 6.7. **Project** – a project prepared for business, professional, scientific, research and other purposes, other than consumption, and published on the Company's platform, for the implementation of which the Project Owner seeks to attract the crowdfunding.
 - 6.8. **Assessor** – an employee of the Company appointed by the order of the CEO who carries out the reputation and creditworthiness assessments provided for in these Rules.

III. CRITERIA AND PROCEDURES FOR ASSESSING REPUTATION

7. In assessing its reputation, the Company shall contact the Project Owner in order to assess information about the CEO of the Project Owner and its participants, who directly or indirectly own a share of voting rights or authorised capital that is equal to or exceeding 20 per cent or which have a direct and/or indirect decisive influence over the Project Owner.
8. For the purposes of assessing the reputation of the Project Owner, the information requested shall be provided in a standardised form, by completing the questionnaire provided for in Annex 1 to these Rules. If necessary, the Assessor may request the Project Owner to provide any additional information needed to assess the reputation.
9. Good repute means a situation when there is no evidence to the contrary and there is no valid reason to doubt the individual's reputation.
10. Circumstances for assessing a candidate's reputation include:
 - 10.1. whether the Project Owner meets the condition specified in Article 8 (1) (1) of the Law;
 - 10.2. any evidence which demonstrates that the candidate does not or did not perform their creditor obligations;
 - 10.3. whether there are and (or) have been previous civil lawsuits, criminal or administrative cases, investment or the risks assumed and loans taken which could have a significant impact on the financial soundness of the candidate.
11. In order to assess the reputation of the Project Owner, the Assessor:
 - 11.1. must collect and evaluate information about the CEO of Project Owner and its participants who directly or indirectly own voting rights or share capital equal to or greater than 20 percent, or who may directly and/or indirectly exercise decisive influence over the Project Owner.
 - 11.2. after collecting and evaluating the received data (paragraph 11.1 of these Rules), before publishing the project on the Company's platform must have sufficient reason to assume that the persons listed in paragraph 11.1 of the Rules meet the criteria approved by the Company for reputation assessment of Project Owners, including that these persons have not been convicted of an offence or criminal offence relating to money laundering or terrorist financing, a serious, very serious crime or an offence or criminal offence on property, property rights and property interests, the economics and business order, the financial system or the offences corresponding thereto, in accordance with the criminal laws of other states, provided that their criminal record has not been expired or 3 years after the date of the entry of the judgment by which such a person has been found guilty of the offences referred to above have not expired.
12. For the purposes of conducting a Project Owners' reputation assessment, the Company relies on:
 - 12.1. documents provided by the CEO's and participants of Project Owners;
 - 12.2. written explanations provided by the CEO's and participants of Project Owners;
 - 12.3. publicly available information on the CEO's and participants of Project Owners.
13. In assessing the reputation of the Project Owners for the purpose of re-publishing the Project through the Company's platform, the Company shall obtain written confirmation from the Project Owner that essential information regarding the Project Owner has not changed. In this case, the Company does not have to repeatedly check the information provided by the Project Owners unless the Company has reason to doubt the reliability of the answers provided.
14. The Assessor, having collected sufficient information from the Project Owner to evaluate the reputation of its managers and participants, evaluates the whole of the information collected and determines whether the Project Owner's reputation is appropriate for publishing his project on the Company's platform. If the Assessor determines that the Project Owner's manager or participant meets the condition set forth in Article 8 (1) (1) of the Law, the Project Owner's Project shall not be published on the Company's platform.

IV. CRITERIA AND PROCEDURES FOR ASSESSING THE CREDITWORTHINESS OF PROJECT OWNERS

15. Prior to publishing the Project on the Company's Platform, the Assessor must assess the Project Owner's creditworthiness.
16. In assessing the Project Owner's creditworthiness, the Assessor shall:
 - 16.1. collect information on the financial status of the Project Owner, including information on its current liabilities;
 - 16.2. assess whether the Project Owner's ability to meet its financial obligations to the funders within the time limits set is realistic, i.e., whether the Project Owner's planned income from the Project will be sufficient to fulfil its obligations under the crowdfunding transaction;
 - 16.3. make sure that no bankruptcy or restructuring proceedings have been initiated against the Project Owner.
17. If, in assessing the Project Owner's creditworthiness under paragraph 16 of the Rules, the Assessor finds that the Project Owner is exposed to a high risk, the Project Owner will be asked to provide additional security measures,
18. In order to assess the creditworthiness of the Project Owner, any guarantors or sureties (if any) under clause 16 of these Rules, the Assessor, directly or through the third party (including credit bureaus) services, collects, processes and relies on information obtained from external databases (state enterprise Centre of Registers, data from the Loan Risk Database administered by the Bank of Lithuania, etc.).
19. For the purposes of assessing the Project Owner's creditworthiness under paragraph 16 of these Rules, the Assessor shall also evaluate the information and confirmations provided by the Project Owner:
 - 19.1. by filling in a standard form (registration form) prepared by the Company;
 - 19.2. by completing the Project Owner's application for a financing transaction;
 - 19.3. in response to any other inquiries made by the Company to the Project Owner, if any.
20. The Assessor asks the Project Owner to fill in a standardised form questionnaire (registration form) and to provide the following data and information:
 - 20.1. Project Owner's statement of the main current account for at least 12 months, unless the Project Owner has been in business for less than 12 months. If the Project Owner has been in business for less than 12 months, it is requested to submit a statement of the Project Owner's main current account for the whole period of its activity;
 - 20.2. the latest certified financial statements of the Project Owner and any surety or guarantor, if any. If the guarantor or surety is a natural person, his consent to have his personal data checked in external databases and a statement of his main bank account for a period of at least 12 months has to be provided, unless he has been in business for less than 12 months;
 - 20.3. contact details (full name, address, e-mail, telephone (if any), cell phone, position title) of the CEO the Project Owner, the CEO of the guarantor or of the surety in the case of a legal entity being a guarantor or surety, the details of the guarantor or of the surety (if the guarantor or surety is a natural person);
 - 20.4. contact details (full name, address, e-mail, telephone (if any), cell phone, position title) and personal and/or company code of each participant in the Project owner, who directly or indirectly own a share of voting rights or authorised capital that is equal to or exceeding 20 percent or which have a direct and/or indirect decisive influence over the Project Owner (contact details, personal identification number and proportion of shareholding).

21. In order to evaluate information about the financial status of the Project Owner, the guarantor or surety (if any) and the possibility of the Project Owner, guarantor or surety (if any) to carry out financial obligations, the Assessor shall assess, on the basis of the data collected:
 - 21.1. the financial situation of the Project Owner, guarantor or surety (amount of income, sources of income, their varieties, sustainability, profitability, possible future development, etc.);
 - 21.2. the history of the Project Owner, guarantor or surety and information on the current and past non-performance of financial obligations;
 - 21.3. the present and planned obligations of the Project Owner, the guarantor or the surety, if the Company knows or ought to know about them;
 - 21.4. the impact of circumstances stated by the Project Owner or known to the Company on the Project Owner's economic and financial status and the Project Owner's ability to properly meet its financial obligations throughout the term of the contract.
22. If the data provided by the Project Owner differs from the data obtained by the Company from the databases, the data used for the assessment of the creditworthiness of the Project Owner will be the data on the basis of which the assessment of the creditworthiness of the Project Owner would be more conservative.
23. The Company assesses individually each Project Owner, the guarantor or surety, the collateral (if any) – the creditworthiness assessment will be carried out expertly.
24. In its creditworthiness assessment, the Company seeks to assess the likelihood of a loss to be incurred by the funder. The Company divides the Project Owners' credit risk into: low (A), medium (B), higher (C), high (D), too high (E). Project Owners are classified according to creditworthiness risk on the basis of the criteria listed below and according to the following formula:
 - 24.1. profitability of assets – K1 (net profit total assets);
 - 24.2. ROA – K2 (sales revenue / total assets);
 - 24.3. equity coverage ratio – K3 (equity / current liabilities);
 - 24.4. net return on assets – K4 (retained earnings / total assets);
 - 24.5. equity interest in assets – K5 (equity / entire property).
 - 24.6. market information on the sector in which the Project Owner operates – K6 (shrinkage of the sector by 10% or more in the last year, then a factor of -0.1 or 0 in other cases).
25. An appropriate level of importance was established for each indicator and the following six-factor equation was derived:
 - 25.1. $Z = 3.3 \times K1 + 1 \times K2 + 0.6 \times K3 + 1.4 \times K4 + 1.2 \times K5 + K6$
 - 25.2. The value calculated according to this formula describes the probability of loss of the funder, which is presented as the opinion of the Platform Operator. Below is the rating scale.
 - 25.2.1. Z value up to 0.2 = **Class E**, too high creditworthiness risk
 - 25.2.2. Z value between 0.21 and 1.8 = **Class D**, high creditworthiness risk
 - 25.2.3. Z value between 1.8 and 2.7 = **Class C**, higher credit risk
 - 25.2.4. Z value between 2.7 and 2.99 = **Class B**, average creditworthiness risk
 - 25.2.5. Z value greater than 3.0 = **Class A**, low creditworthiness risk
26. In the case of guarantors or sureties, their creditworthiness is evaluated in the same way as the Project Owner's. If the Project Owner has a medium risk, but the Project Owner's obligations to

the funders are guaranteed or sureties provided by a third party with a low risk, the Project Owner's final creditworthiness risk would be assessed as low.

27. In assessing the value of real estate being offered as collateral, the Company relies on the independent valuers' findings and/or other reliable external sources (such as the data from the real estate register). In all cases, the Assessor shall additionally collect publicly available information about the real estate being offered for mortgage (its location, condition, purpose, etc.) and critically evaluate the content of the submitted data on the value of such real estate. In case of doubt concerning the value of the property submitted, the Assessor shall rely on the most conservative data.
28. In addition, the Company discloses to the funders the value of the real estate mortgaged and assesses the reduced likelihood of loss of the funder. If the value of the mortgaged asset is:
 - 28.1. more than 95% higher than the amount of funding requested (up to 51% LTV), the Project Owner's creditworthiness risk is considered to be **low**;
 - 28.2. from 90% to 95% higher than the amount of funding requested (from 51% to 53% LTV) the Project Owner's creditworthiness risk is considered to be **average**;
 - 28.3. from 70% to 90% higher than the amount of funding requested (from 53% to 59% LTV) the Project Owner's creditworthiness risk is considered to be **higher**,
 - 28.4. is 70% or less higher than the amount of funding requested (from 53% to 59% LTV) the Project Owner's creditworthiness risk is considered to be **high**.
29. If, after assessing the Project Owner, their risk would be determined to be average, however according to the mortgaged assets, the Project Owner's risk would be low – the final creditworthiness risk of the Project Owner would be considered to be low.
30. The Company enters into an agreement with Creditinfo Lietuva UAB (elsewhere in the text – Creditinfo) and thus obtains access to Creditinfo's credit bureau system. Using this system, the Platform Operator verifies data on the Project Owner's outstanding and overdue debts, which are not yet reflected in the financial statements provided by the Project Owner. Where additional information on indebtedness is found, the Operator shall recalculate the indicators referred to in paragraph 30 using such data and reassess the creditworthiness.
31. The Company also enters into an agreement with Creditinfo for the exchange of borrower data and uploads data on the loan received by the Project Owner into the Creditinfo system to ensure greater security for investors.

V. REFUSAL TO PUBLISH THE PROJECT

32. The Company refuses to publish the Project on the Company's platform if:
 - 32.1. The Project Owner does not meet the reputation and creditworthiness assessment criteria approved by the Company;
 - 32.2. The Company lacks the information to carry out the assessments described in the Rules;
 - 32.3. The creditworthiness risk class is too high – class E.
 - 32.4. If the information available to the Company gives reason to believe that publication of the Project on the Company's platform would jeopardize the interests of the funders.

VI. FINAL PROVISIONS

33. These Rules shall take effect from the date of their approval and may be cancelled or modified only by order of the CEO.

34. The Assessor shall be responsible for the implementation of these Rules. In this case, if the Assessor is unable to implement the Rules, the CEO shall be responsible for the implementation of the Rules.
35. Compliance with these Rules shall be the responsibility of the CEO or his authorised representative.

ANNEX No 1

FORM OF THE ASSESSMENT OF RELIABILITY OF THE PROJECT OWNER

FORM OF THE ASSESSMENT OF RELIABILITY OF THE PROJECT OWNER		
20[...] m. [...] mėn. [...] d.		
Name, legal form and code of the Project Owner	[...]	
<p>1. Have you or the company you controlled or operated for the last 10 years:</p>		
1.1. been convicted (charged) of a criminal offense and/or convicted of a criminal offense under the criminal law of the Republic of Lithuania or a foreign state?	Yes <input type="checkbox"/>	No <input type="checkbox"/>
1.2. been subject to administrative, disciplinary and other statutory penalties (sanctions)?	Yes <input type="checkbox"/>	No <input type="checkbox"/>
1.3. been subject to bankruptcy, restructuring proceedings, proceeding under Article 2.124 of the Civil Code or the corresponding proceedings under foreign law?	Yes <input type="checkbox"/>	No <input type="checkbox"/>
1.4. been suspects in the pre-trial investigation?	Yes <input type="checkbox"/>	No <input type="checkbox"/>
<p>2. If you answered yes to one or more of the questions 1.1 to 1.4, briefly describe the material circumstances, with dates for the event and relevant decisions.</p>		
Completing person		
Full name	Signature	
_____	_____	

ANNEX No 2

FORM OF ASSESSMENT OF THE REPUTATION AND CREDITWORTHINESS OF THE PROJECT OWNER

[...] 20[...]

Project Owner's name, company code, address	[...]	
Assessment of the reputation of the Project Owner		
1. The reputation information provided by the Project Owner has been reviewed	<input type="checkbox"/>	
2. Information from public sources has been reviewed	<input type="checkbox"/>	
3. Remarks	[...]	
4. Result of the Project Owner's reputation evaluation	<input type="checkbox"/> Appropriate	<input type="checkbox"/> Not suitable
Evaluation of the Project Owner's creditworthiness		
1. Assessed the profitability of assets (net profit/total assets);	<input type="checkbox"/>	
2. Assessed return on assets (sales revenue/total assets);	<input type="checkbox"/>	
3. Assessed equity coverage ratio (equity/current liabilities);	<input type="checkbox"/>	
4. Assessed net return on assets (retained earnings/total assets);	<input type="checkbox"/>	
5. Assessed equity share in assets (equity/total assets).	<input type="checkbox"/>	
6. Estimated market information for the sector in which the Project Owner operates – K6 (sector shrinkage of 10% or more in the past year, then a factor (-0.1) or 0 otherwise).	<input type="checkbox"/>	
7. Other creditworthiness considerations assessed	[...]	
8. Remarks	[...]	
9. Classified creditworthiness risk class	[...]	
Assessor		

Full name _____	Signature _____
------------------------	------------------------