

**Approved:**

By order of the head of

UAB Nordstreet of 8 July, 2020 October 20, 2020

No. 2020-10-20 VĮ-1

## **UAB NORDSTREET**

### **RULES FOR ASSESSING THE PROJECT OWNERS 'RELIABILITY**

#### **I. GENERAL PROVISIONS**

1. Rules for assessing the project owners 'reliability of UAB Nordstreet (the **Company**) (the **Rules**) set out the requirements in order to assess the project owners' creditworthiness, including criteria for assessing the reputation and creditworthiness of project owners.
2. Terms used in the Rules shall be understood as defined in the Republic of Lithuania Law on Crowdfunding, 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 Republic of Lithuania Law on Crowdfunding 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 Terms have the following meanings:
  - 6.1. **Avietė** – financial engineering instrument of UAB Investicijų ir verslo garantijos “Avietė Concentrated Loans”.
  - 6.2. **Company** – UAB Nordstreet, company code 304565690.
  - 6.3. **Company Platform** – an information system administered by the Company (<https://www.nordstreet.com/>), which is used to carry out the crowdfunding.
  - 6.4. **Participant** – the participant of Project Owner, to whom the share of voting rights or authorised capital directly or indirectly is equal to or exceeding 20 per cent or which can directly and (or) indirectly decisively influence Project Owner.
    - 6.4.6.5. **Project Owner** or **Client** – the person initiating the Project, which the Company announces to the Funders through the Company's platform.
    - 6.5.6.6. **Law** – Republic of Lithuania Law on Crowdfunding.
    - 6.6.6.7. **Credibility assessment** – assessment of the Project Owner's reputation and creditworthiness carried out by the Company.
    - 6.7.6.8. **Head of the Company** – director of the Company.
    - 6.8.6.9. **Supervisory authority** – the Bank of Lithuania.

- 6.9.6.10. **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.
- 6.10.6.11. **Assessor** – an employee of the Company appointed by the order of the head of the Company 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 head of the Project Owner and its participants, to whom the share of voting rights or authorised capital directly or indirectly is equal to or exceeding 20 per cent or which is likely to have a direct and/or indirect decisive impact on 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;
  - 10.3.10.4. whether there are other factors of negative reputation indicated in the Annex 3 of the Rules.
11. In order to assess the reputation of the Project Owner, the Assessor:
  - 11.1. must collect and evaluate information about the Head of the 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. If Project Owner is a natural person (entrepreneur), information about the Project Owner is collected and assessed.
  - 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 **minimal criteria of assessing reputation** approved by the Company for reputation assessment of Project Owners, including, i.e. that the following persons listed in paragraph 11.1 of the Rules:
    - 11.1.11.2.1. do not meet the conditions indicated in Article 8 (1) (1) of the Law, i. e. one shall ensure that Project Owner, his/her Heads and (or Participants) 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 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 into question of the judgment by which such a person has been found guilty of the offences referred to above has not expired

- 11.2.2. do not meet other conditions indicated in Annex No. 3 of the Rules under which it is automatically regarded that the reputation of Project Owner cannot be assessed as appropriate.
12. For the purposes of conducting a Project Owners' reputation assessment, the Company relies on:
    - 12.1. documents provided by the heads and participants of Project Owners;
    - 12.2. written explanations provided by Owners, their heads and participants;
    - 12.3. publicly available and announced information on Project Owners, their heads and participants;
    - 12.4. the data provided by the Creditinfo system administered by UAB "Creditinfo Lietuva" (hereinafter – **Creditinfo**);
    - 12.5. the registers administered by the state enterprise "Centre of Registers" (The Real Property Register, the Register of Legal Entities, the Register of Property Seizure Acts, etc.);
    - 12.6. data provided by the Register of Wanted Persons administered by Information Technology and Communications Department, as well as other legally accessible reliable database;
  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 it, his/her heads 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 head of Project Owner meets the condition set forth in Article 8 (1) (1) of the Law, the Project of the Project Owner shall not be published on the Company's platform. The process of reputation assessment consists of two stages:
    - 14.1. first of all, it shall be ensured whether all the persons listed in Article 11 (1) of the Rules satisfy **all the minimal criteria of assessing reputation** (as set forth in Article 11 (2) of the Rules, i. e. the Company shall make sure that the persons listed in Article 11 (1) of the Rules do not meet (i) the condition indicated in Article 8 (1) (1) of the Law and (ii) do not meet the conditions indicated in Annex No. 3 of the Rules under which it is automatically regarded that the reputation of the Project Owner cannot be regarded as suitable. In case Assessor identifies that the Project Owner, his/her head and (or) Participant does not satisfy all the minimal criteria of assessing reputation, the Project of the Project Owner shall not be published on the Company's platform. Only in case the Assessor can reasonably ensure that all the minimal criteria of assessing reputation are present, the second stage of reputation assessment can be performed.
    - 14.2. secondly, when the Assessor makes sure that the minimal criteria of assessing reputation are satisfied, the additional criteria of reputation assessment are taken into consideration, which can influence the final rating of the reliability of the Project Owner, i. e. the final rating of the reliability of the Project Owner (risk class assigned) can be decreased, if the additional negative factors of reputation assessment indicated in the Annex No. 3 of the Rules are present. The order of decreasing the Final Rating of the Reliability of the Project Owner (risk class assigned) is also indicated in the Annex No. 3 of the Rules.

#### **IV. ADDITIONAL ASSESSMENT OF THE PROJECT OWNERS IN ORDER TO USE THE AVIETĒ FINANCIAL INSTRUMENT**

15. In case the Project Owner seeks the opportunity to gain access to the funds of the Avietė facility on the Company's platform for the funding of the Project, the Evaluator must compulsorily additionally assess and determine whether the Project Owner meets the following conditions:
  - 15.1. Does the Project Owner comply with the definition of a small and medium business entity as defined in the Republic of Lithuania Law on Small and Medium-Size Business Development;
  - 15.2. Whether the loan to be financed through the Platform is intended to supplement an investment or the lack of working capital.
16. After assessing the circumstances provided for in paragraph 15 of the Rules, the Evaluator shall also assess whether one or more of the following circumstances exist:
  - 16.1. There are (or could be) insolvency proceedings initiated against the Project Owner;
  - 16.2. The Project Owner has used the funds of the Avietė facility in the last 6 months (until 31 December 2020, the Project Owner can use the funds of Avietė facility twice to finance his projects for a period of 6 months).
  - 16.3. The project is assigned a credit rating lower than 3;
  - 16.4. The crowdfunding funds sought to be raised by the Project Owner are not intended to refinance loans or financial liabilities, finance financial activities or finance residential immovable property.
17. In order to use the funds of the Avietė facility, the Project Owner (and the Project) must meet the conditions provided for in paragraph 15 of the Rules and the Evaluator must determine that none of the circumstances provided for in paragraph 16 of the Rules exist. If this condition is not met, the project of the Project Owner may be published on the Platform, but may not benefit from the funds provided by the Avietė facility.
18. Until 31 December 2020, when assessing the Project Owner, due to the possibility to initiate insolvency proceedings against him under the Republic of Lithuania Law on Insolvency of Legal Entities of the Rules in accordance with paragraph 16.1 of the Rules, the Project Owner's ability to fulfil property obligations shall be assessed on the basis of the latest data available until the date of 3 March 2020, but no later than 31 December 2019.

## **V. CRITERIA AND PROCEDURES FOR ASSESSING THE CREDITWORTHINESS OF PROJECT OWNERS**

19. Prior to publishing the Project on the Company's Platform, the Assessor must assess the Project Owner's creditworthiness.
20. In assessing the Project Owner's creditworthiness, the Assessor shall:
  - 20.1. collect information on the financial position of the Project Owner, including information on its current liabilities;
  - 20.2. 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;
  - 20.3. is satisfied that no bankruptcy or restructuring proceedings have been initiated against the Project Owner.
21. If, in assessing the Project Owner's creditworthiness under paragraph 20 of the Rules, the Assessor finds that the Project Owner is exposed to a high risk, the Project Owner would be offered to provide additional security measures,
22. In order to assess the creditworthiness of the Project Owner, any guarantors or sureties (if any) under paragraph 20 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.).

23. For the purposes of assessing the Project Owner's creditworthiness under Section 20 of these Rules, the Assessor shall also evaluate the information and confirmations provided by the Project Owner:
  - 23.1. by filling in a standard form (registration form) prepared by the Company;
  - 23.2. by completing the Project Owner's application for a financing transaction;
  - 23.3. in response to any other inquiries made by the Company to the Project Owner, if any.
24. The Assessor asks the Project Owner to fill in a standardised form questionnaire (registration form) and to provide the following data and information:
  - 24.1. The last approved financial statements of the Project Owner and the guarantor (if any) for the last 2 (two) years of operation, which consist of the balance sheet and profit (loss) statements;
  - 24.2. Additional information (in the form established by the Company) with explanations, i.e. decryptions regarding the following:
    - 24.1.1. Fixed assets;
    - 24.1.2. Current assets;
    - 24.1.3. Accounts receivable within one year;
    - 24.1.4. Long-term liabilities;
    - 24.1.5. Current liabilities;
    - 24.1.6. Amounts payable within one year;
    - 24.1.7. Depreciation;
    - 24.1.8. Repayable portion of the loan and interest paid;
    - 24.1.9. List of shareholders;
  - 24.3. In relation to the property planned to be mortgaged by the Project Owner and the guarantor or suretor (if any) – the valuation of property performed by property appraisers and the inspection report on the value of property with photos (or the equivalent of a valuation thereof);
  - 24.4. Short business plan or short plan for the usage and repayment of the loan according to the submitted form or the information provided by the Project Owner;
  - 24.5. If necessary – the statement of the main current account of the Project Owner for at least 6 months, except in cases when the Project Owner has been operating for less than 6 months. If the Project Owner has been in business for less than 6 months, it is requested to submit a statement of the Project Owner's main current account for the whole period of its activity. 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 6 months has to be provided, unless he has been in business for less than 6 months;
  - 24.6. contact details (full name, address, e-mail, telephone (if any), cell phone, position title) of the head of the Project Owner, the head of the guarantor or of the surety in the case of a legal entity being a guarantor surety, the details of the guarantor or of the surety (if the guarantor or surety is a natural person);
  - 24.7. contact details (full name, address, e-mail, telephone (if any), cell phone, position title) and personal and/or company code of each participant of the Project owner, to whom the share of voting rights or share capital directly or indirectly is equal to or greater than 20 percent or which is likely to have a direct and/or indirect decisive effect on the Project Owner (contact details, personal identification number and proportion of shareholding);

25. In order to evaluate information about the financial position of the Project Owner, the guaranteeing or guaranteeing person (if any) and the possibility of the Project Owner guaranteeing or providing the surety (if any) to carry out financial obligations, the Assessor shall assess, on the basis of the data collected:
  - 25.1. The financial situation of the Project Owner, guarantor or surety (amount of income, sources of income, their varieties, sustainability, profitability, possible future development, etc.);
  - 25.2. The history of the Project Owner, guarantor or surety and information on the current and past non-performance of financial obligations;
  - 25.3. The present and planned obligations of the Project Owner, the guarantor or the surety, if the Company knows or ought to know about them;
  - 25.4. Impact of circumstances stated by the Project Owner or known to the Company on the Project Owner's economic and financial position and the Project Owner's ability to properly meet its financial obligations throughout the term of the contract.
26. 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 used, on the basis of which the assessment of the creditworthiness of the Project Owner will be more conservative.
27. The Company assesses individually each Project Owner, the guarantor or surety, the collateral (if any) – the creditworthiness assessment will be carried out expertly.
28. In its creditworthiness assessment, the Company seeks to assess the likelihood of a loss for the funder. The Company divides the Project Owners' credit risk into: low (1), medium (2), higher (3), high (4), too high (5). Project Owners are divided according to credit risk with consideration of the following criteria (and in accordance with the formula provided in Annex 3 to the Rules):
  - 28.1. Loan service ratio;
  - 28.2. Financial debt and earnings before interest, taxes, depreciation and amortisation (EBITDA) ratio;
  - 28.3. Sales revenue change indicator;
  - 28.4. Performance profitability ratio;
  - 28.5. Equity ratio;
  - 28.6. Current liquidity ratio;
  - 28.7. Industry assessment indicator;
  - 28.8. Business plan assessment indicator;
  - 28.9. Performance of previous commitments.
29. An appropriate level of importance, a predictive factor was established for each indicator and an evaluation formula was derived.
30. The value calculated according to the formula for the assessment of creditworthiness describes the probability of loss of the funder, which is presented as the opinion of the Platform Operator. Below is the rating scale.
  - 30.1. **Class 5 (E)**(Very poor condition, unsatisfactory) – Too high creditworthiness risk
  - 30.2. **Class 4 (D)** (Poor condition) – High creditworthiness risk
  - 30.3. **Class 3 (C)** (Average condition) – Higher credit risk
  - 30.4. **Class 2 (B)** (Good condition) – Average creditworthiness risk



30.5. **Class 1 (A)** (Very good condition) – Low creditworthiness risk

31. In the case of guarantors or guarantors, their creditworthiness is evaluated in the same way as Project Owners. 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.
32. 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.
33. 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. When assessing the final criterion (assigned creditworthiness risk class), the Platform may also use the LTV (*loan to value*) indicator, depending on the value of which the final credit rating may be changed:
  - 33.1. in this case, if the ratio of the collateral to the total amount of the loan is up to 25% (LTV <25%) the collateral ratio shall be considered to be reliable and may raise the result of the creditworthiness assessment to 1 final creditworthiness score in respect of the Project Owner;
  - 33.2. in this case, if the ratio of the collateral to the total amount of the loan is between 26% and 50% (LTV 26-50%) the collateral ratio shall be deemed to be good and may raise the result of the creditworthiness assessment to 0.5 final creditworthiness score in respect of the Project Owner;
  - 33.3. in this case, if the ratio of the collateral to the total amount of the loan is 51% (LTV >51%), the collateral ratio shall be considered appropriate but does not affect the final credit score of the Project Owner's creditworthiness assessment.
34. 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 28 using such data and reassess the creditworthiness.
35. 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.
36. The final class of creditworthiness (risk class assigned) can also be adjusted considering the additional criteria of assessing the reputation of the Project Owner, his/her heads and (or) Participants indicated in the Annex 3 of the Rules. The order of reducing the assessment rating of the final Project Owner (risk class assigned) is also indicated in the Annex 3 of the Rules.

**VI. THE VERIFICATION OF THE PROCESS OF THE RELIABILITY OF THE PROJECT OWNER**

37. Aiming to secure that the reliability of the Project Owner shall be appropriately assessed and human failures would be eliminated as much as possible (e. g. calculating credit rating scale), the Company enables the following measures:
  - 37.1. Standardised automatic form of calculating credit rating scale is used. The Assessor calculates the credit rating score of the Project Owner using the standardised Excel form approved by the Company (financial indexes are manually entered and credit rating scale is automatically calculated);

- 37.2. “Four-eyes” principle is introduced. When the Assessor calculates the credit rating score of the Project Owner and definitely performs the assessment of the reliability of the Project Owner, the performed and recorded calculations together with the resources (documents) reasoning them are submitted to another employee of the Company appointed by the Head. The latter performs the verification of the calculations and assessment submitted to him/her (in addition, it is to be made sure that credit rating score was suitably calculated according to the data possessed). If during verification inaccuracies are noticed, the employee performing verification transmits them to the initial Assessor to be corrected (after correcting the repeated procedure of supervision is performed).
- 37.3. The verification of assessment procedure. Having definitely performed the verification of assessment procedure, the final form of the assessment of the reputation and creditworthiness of the Project Owner with the calculation indicated are signed both by the Assessor and the employee of the Company who has performed verification. In such case it is to be considered that the Company appropriately performed the procedure of the assessment of the Project Owner.

#### **VI. VII. REFUSAL TO PUBLISH THE PROJECT**

38. The Company refuses to publish the Project on the Company's platform if:
  - 38.1. The Project Owner does not meet the reputation and creditworthiness assessment criteria approved by the Company;
  - 38.2. The Company lacks the information to carry out the assessments described in the Rules;
  - 38.3. The creditworthiness risk class is set too high – class 5.
  - 38.4. 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.

#### **VII. VIII. FINAL PROVISIONS**

39. These Rules shall take effect from the date of their approval and may be cancelled or modified only by order of the Head.
40. The Assessor shall be responsible for the implementation of these Rules. In this case, if the Assessor is unable to implement the Rules, the Head responsible for the implementation of the Rules.
41. Compliance with these Rules shall be the responsibility of the Head or his authorised representative.



**ANNEX No 1**

**FORM OF THE ASSESSMENT OF RELIABILITY OF THE PROJECT OWNER**

<b>FORM OF THE ASSESSMENT OF RELIABILITY OF THE PROJECT OWNER</b>		
_____ 20[...]		
<b>Name, legal form and code of the Project Owner</b>	[...]	
<b>1. Have you or the company you controlled or operated for the last 5 years:</b>		
1.1. 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?	<b>Yes</b> <input type="checkbox"/>	<b>No</b> <input type="checkbox"/>
1.2. have you been subject to administrative, disciplinary and other statutory penalties (sanctions)?	<b>Yes</b> <input type="checkbox"/>	<b>No</b> <input type="checkbox"/>
1.3. have you been subject to bankruptcy, restructuring proceedings, proceeding under Article 2.124 of the Civil Code or the corresponding proceedings under foreign law?	<b>Yes</b> <input type="checkbox"/>	<b>No</b> <input type="checkbox"/>
1.4. suspects in the pre-trial investigation?	<b>Yes</b> <input type="checkbox"/>	<b>No</b> <input type="checkbox"/>
<b>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.</b>		
Completing person		
Full name	Signature	
_____	_____	

**ANNEX No 2**

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

20[...] year [...] month [...] day

<b>Project Owner's name, company code, address</b>	[...]	
<b>Assessment of the reputation of the Project Owner</b>		
1. The reviewed provided information concerning the reputation of the Project Owner	<input type="checkbox"/>	
2. Information from public sources has been reviewed	<input type="checkbox"/>	
3. Remarks	[...]	
4. The impact of reputation risk caused by the Project Owner, Head, Participants for credit rating scale (detailed reasons regarding the impact on the final credit rating scale provided)	<input type="checkbox"/> Appropriate	<input type="checkbox"/> Not suitable
<b>Evaluation of the Project Owner's creditworthiness</b>		
1. Estimated Loan service ratio;	<input type="checkbox"/>	
2. Estimated financial debt and EBITDA ratio	<input type="checkbox"/>	
3. Estimated income change ratio	<input type="checkbox"/>	
4. Estimated profitability ratio	<input type="checkbox"/>	
5. Estimated equity ratio indicator	<input type="checkbox"/>	
6. Estimated current liquidity ratio indicator	<input type="checkbox"/>	
7. Estimated industry indicator	<input type="checkbox"/>	
8. Estimated business plan assessment indicator	<input type="checkbox"/>	
9. Estimated implementation rate of previous commitments	<input type="checkbox"/>	
10. Other significant circumstances	[...]	
11. Remarks	[...]	
12. Classified creditworthiness risk class	[...]	
<b>Assessor</b>		

Full name _____	Signature _____
<b>Verification process performed by:</b>	
Full name _____	Signature _____

### ANNEX No 3

#### **CRITERIA FOR ASSESSING THE FINANCIAL STANDING OF THE PROJECT OWNER APPLYING FOR FUNDING**

Assessment of the Client's financial standing is performed before providing funding for a specific project. If the need arises, in this case the assessment of the Client's financial condition may be performed also in the case of an active project, Project Loan during the Loan period of the project.

When assessing the Client's financial condition, the available information and information received from the Client must be used and the assessment must be written and submitted according to the criteria listed from 1 (one) to 5 (five) score.

The financial standing of a Client wishing to receive funding from the platform is assessed according to the main 9 criteria:

#### **Distribution of the evaluation values of the Nordstreet Client seeking the finding in the final value**

<b>Title</b>	<b>Score</b>	<b>Coefficient</b>
Loan servicing indicator – DSCR	1-5	0,14
Financial debt and EBITDA ratio	1-5	0,2
Rate of change in sales revenue	1-5	0,11
Performance profitability ratio	1-5	0,11
Equity ratio	1-5	0,13
Current liquidity ratio indicator	1-5	0,15
Industry evaluation indicator	1-5	0,06
Business plan evaluation index	1-5	0,06
Performance of past commitments	1-5	0,04

#### **Information needed to assess the financial standing of a Nordstreet client seeking the funding**

The Client seeking to get the funding offer from the platform of the Company must submit the following documents:

- Financial statements of the legal entity that will be the borrower for the last 2 (two) years of operation, consisting of the balance sheet and profit (loss) statements.
- When submitting the financial statements of a legal entity, a legal entity that submits an application for funding must submit them in a special form provided by the Platform along with additional information, explanations, i.e. decryptions regarding the following:
  - (I) Fixed assets;
  - (II) Short term assets;
  - (III) Amounts receivable within a year;
  - (IV) Long-term liabilities;
  - (V) Current liabilities;
  - (VI) Amounts payable within one year;
  - (VII) Depreciation;

- (VIII) Repayable portion of the loan and interest paid;
- (IX) List of shareholders;
- (X) If necessary – statements of accounts held by the legal entity for the last 6 (six) months.
- Information used for the assessment of financial standing and overall assessment of the Client seeking the funding on the platform:
  - (I) Annual and interim financial statements with decryptions;
  - (II) Property valuation performed by property appraisers and inspection report on the property to be mortgaged and its value with photos;
  - (III) Extract from the Real Estate Register in case of mortgage of real estate, other documents, agreements, certificates substantiating the ownership of movable property;
  - (IV) A short business or short loan use and repayment plan according to the form provided by the platform or the information sent by the Client;
  - (V) Information on shareholders, related persons, guarantors, suretors;
  - (VI) Additionally, information available in publications, articles about the Client and the economic situation in the market and business sectors.

### **The description of the financial position of the Client seeking funding**

When assessing the financial standing of the Client seeking financing according to all criteria, a 5-point rating system from 1 to 5 is used, where “1” means very good condition, “2” means good condition, “3” means average condition, “4” means poor condition, “5” means very poor, unsatisfactory condition.

1	Very good condition
2	Good condition
3	Average condition
4	Poor condition
5	Very poor, unsatisfactory condition

The procedure for assessing the Client's financial standing must be carried out by assessing all the criteria in turn, using the available information and all the relevant criteria. Accordingly, in case of need or if other useful information is available, the Client's final assessment of the condition, the column “Comments” may contain arguments or other useful information, due to which the usual assessment has been adjusted. In addition, it is possible to specify the reasons why the assessment of the Client's criteria does not correspond to the planned assessments and how it differs from the usual assessments.

In case the Platform of the Company evaluates the Client seeking additional and/or new funding, the responsible employee of the Platform shall, in the course of the Client's analysis, also assess the impact of the newly planned financing on the assessment and calculation of the Client's financial indicators.

### **Explanation of the evaluation criteria for Nordstreet Client seeking funding**

**(I)**

<b>Criterion</b>	<b>Calculation</b>
DSCR (Debt service coverage ratio)	EBITDA/ Loan servicing costs

The Loan service coverage ratio is the ratio of earnings before interest, taxes, depreciation, amortisation (Total value is denoted as EBITDA) and expenses for the Loan Service.

The Loan service indicator shows the customer's ability to pay off financial debts and provides information as to whether the company has sufficient resources to service the Loan they are planning to receive.

#### Values and evaluation of the DSCR indicator

>1,15	Very good condition
>1,05	Good condition
> 0,9	Average condition
>0,75	Poor condition
<0,75	Very poor, unsatisfactory condition

#### (II)

Criterion	Calculation
Net financial debt to EBITDA ratio before interest, taxes, depreciation and amortisation	Amount of long-term debts and short-term debts less cash and cash equivalents / EBITDA

Ratio of net financial debt to earnings before interest, taxes, depreciation, amortisation (total value is expressed as EBITDA).

The indicator shows the ability of the Client, a legal entity, to repay the assumed debts. The ratio of net financial debt and EBITDA shows how many times the Client's legal entity's liabilities related to interest payments exceed its earned EBITDA per year. This indicator is relevant in that it shows approximately the number of years during which the financial debts of a legal entity can be covered, provided that no investments are made and no profits are paid.

#### Net values and measurement of net financial debt and EBITDA indicator

< 5 years	Very good condition
< 8 years	Good condition
< 10 years	Average condition
< 12 years	Poor condition
> 12 years	Very poor, unsatisfactory condition

#### (III)

Criterion	Calculation
Rate of change in sales revenue	Change in sales revenue during the relevant period (at least 2 years)

The sales revenue indicator represents an increase/decrease in the economic benefit due to the provision of goods by the legal entity during the relevant period.

The indicator shows the changes in the sales revenue of the Client, the legal entity, and possible trends in the coming period. In order to measure this indicator, it is necessary to analyse the absolute change in income in numerical terms and the percentage change.



### Revenue change indicator values and evaluation

Revenues have been growing steadily over the last relevant periods (>10%)	Very good condition
Revenue is constant over the last relevant periods (>5%)	Good condition
Revenue is not constant during the last relevant periods (<-5% to 5%>)	Average condition
Revenue is declining over the last relevant periods (<-5% to -20%>)	Poor condition
Revenue is declining sharply or the company has not received revenue in the last relevant periods (>-20%]]	Very poor, unsatisfactory condition

#### (IV)

Criterion	Calculation
Operating profitability indicator – EBIT margin	EBIT/ Revenue

The operating profitability indicator is the ratio of profit before interest, taxes and Income.

This indicator shows the profitability of the Client legal entity. This is one of the main indicators of efficiency of the legal entity. This indicator shows what profit a legal entity would have earned if it had no financial debts.

#### Values and evaluation of operating profitability indicator

>0,1	Very good condition
< 0,1 – > 0.05	Good condition
< 0,05 – > 0.00	Average condition
> 0.00 (profit from any other activity, compensates for the loss incurred)	Poor condition
<-0,10	Very poor, unsatisfactory condition

#### (V)

Criterion	Calculation
Equity ratio	Equity / Assets

The equity to assets ratio shows the proportion of the company's assets financed by equity capital. The higher this indicator, the more the shareholders of the legal entity contribute to the activities of the legal entity and take risks.

#### Values and valuation of the equity ratio

>0,2	Very good condition
< 0,2 – > 0.1	Good condition
< 0,1 – > 0,05	Average condition
< 0,05 – > 0,00	Poor condition
<0,00	Very poor, unsatisfactory condition

#### (VI)

Criterion	Calculation
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Current liquidity ratio	Current assets/ Current liabilities
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The current liquidity ratio indicator shows the proportion of the legal entity's short-term assets covering the current liabilities held and allowing the legal entity's solvency status to be assessed. The indicator shows the legal entity's ability to repay short-term debts.

#### Values and valuation of the current liquidity ratio

>1,2	Very good condition
< 1,2 – > 1.1	Good condition
< 1,1 – > 1,00	Average condition
< 1,00 – > 0,5	Poor condition
<0,5	Very poor, unsatisfactory condition

#### (VII)

Criterion	Calculation
Position and situation of the industry branch	Reference to statistical indicators information used by the Statistics Department: (Business statistics; business structure and finance; financial indicators of companies; profit (loss) statement; corporate income, expenses, profits); Options (3-character level) <a href="https://osp.stat.gov.it/statistiniu-rodikliu-analize">https://osp.stat.gov.it/statistiniu-rodikliu-analize</a>

The situation of the industry and the analysis of the current situation in the market show in which industry the legal entity operates, what is its environment and what can be expected in the future. When assessing the situation of the industry and the current situation in the market, the general trends of the industry in the country are taken into account.

#### Values and evaluation of the industry situation

The branch of economy has been growing consistently in the last corresponding periods (the branch has been growing by >10% in the last 3 years)	Very good condition
The branch of economy has been stable in the last corresponding periods (the branch has been growing by <10% in the last 3 years)	Good condition
The branch of economy has not been stable in the last corresponding periods (the branch has been declining by <10% in the last 3 years)	Average condition
The branch of economy has been declining in the last corresponding periods (the branch has been declining by > 10% in the last 3 years)	Poor condition
The industry is declining or declining sharply during the last relevant periods (the branch has been declining by > 20% in the last 3 years)	Very poor, unsatisfactory condition

#### (VIII)

Criterion	Calculation
Business plan	Having a business plan, submission, level of detail

The business plan helps the legal entity to achieve the set goal, therefore it is an important factor in the activities of the legal entity and shows how the legal entity is ready to carry out its activities or a specific project.

### Assessment of the business plan

Good idea, detailed business plan is provided	Very good condition
Good idea, business plan is provided	Good condition
Good idea, incomplete business plan provided, business plan is not complete, forecast calculations	Average condition
Attractive idea incomplete business plan provided, the business plan lacks detail	Poor condition
Attractive idea no business plan provided and there is no explanation of what will be done	Very poor, unsatisfactory condition

### (IX)

Criterion	Calculation
Fulfilment of previous obligations	The existing or previous liabilities of the legal entity in the existing and/or other institution are checked

The fulfilment of previous obligations is an important factor in assessing the history of the legal entity and the current situation. It looks at how the legal entity has paid off the liabilities it has, how much they had and whether it still has existing and/or other institutions.

### Values and measurement of past commitments

Commitments are fulfilled in a timely manner	Very good condition
Liabilities are settled with delays of < 30 days but currently no liabilities	Good condition
Liabilities are settled with delays of < 60 days or regular delays characteristic to the operation.	Average condition
Liabilities are settled with delays of > 90 days or there are persistent operational delays	Poor condition
Commitments were not made on time and there were enforced recoveries	Very poor, unsatisfactory condition

When assessing the performance of past liabilities, one of the conditions is sufficient to assign a lower value to the indicator (e.g. if liabilities are fulfilled with delays of < 30 days but are permanent, a poor condition is assigned).

### Influence of the LTV (*loan to value*) indicator of Nordstreet Client applying for funding in the final value of the Client's assessment

In addition, when assessing the funding of a Client's project in which real estate is presented as collateral, the Platform may also use the LTV (*loan to value*) when assessing the final criterion, the impact whereof would be on the Client's overall financial position (i.e. the final) score as follows:

The ratio of collateral to the total loan amount up to 25% (LTV <25%) Reliable collateral ratio	Possible influence on the score up to 1 point
The ratio of collateral to the total loan amount up to 26-50% (LTV 26-50%) Good collateral ratio	Possible influence on the score up to 0.5 point
The ratio of collateral to the total loan amount up to 51-63% (LTV 51-63%)	No influence
The ratio of collateral to the total loan amount over 64% (LTV >64%)	No influence

**The impact of the reputation indicator of the Nordstreet Client aiming to access funding in the final value of assessment**

The indicator of the Reputation of the Client is assessed considering the negative factors of reputation indicated below, concerning the persons specified in paragraph 7 of the Rules (i. e. the project Owner, his/her heads and Participants).

Information about the presence of the negative factors of reputation concerning the Client, his/her head or Participants can be received directly from the persons themselves (with them submitting filled in questionnaires, other required documents), checking publicly accessible information about these persons, checking the database of Creditinfo, as well as other databases and registers to which the Company has access.

In case the information received from public or other resources legally accessible to the Company does not coincide with the information provided by Client, his/her head or Participants, the following rules are followed:

- 1) The Company addresses the Client, asks him/her to provide additional written clarifications, comment on such discrepancy and reason his/her position;
- 2) If, having received the written clarifications of the Client, his/her head or Participant, as well as the reasoning of the situation the Company cannot reasonably ascertain that the information provided by the Client, his/her head or Participant is correct comparing the information received from other resources accessible to the Company, in such case the Company makes a **conservative** estimate of the information possessed, i. e. takes into consideration namely the information which indicates the presence of the crucial negative criterion/factor of the reputation assessment.

The Company divides the criteria of reputation assessment in **the minimal criteria of the assessment of reputation** and **the additional criteria of the assessment of reputation**.

If it is identified that the persons indicated in paragraph 7 of the Rules do not meet at least one minimal criterion of the assessment of reputation (i. e. at least one factor of negative reputation attributed to this criterion exists), the Project of Client cannot be published on the Platform of the Company. The Company records and appropriately stores and documents information from which it is possible to identify the presence of the negative factor of reputation.

**If at least one factor of negative reputation listed below exists, it is considered that the reputation of Client does not meet the minimal criteria of the assessment of reputation (the Project cannot be tendered)**

<p>The person indicated in paragraph 7 of the Rules:</p> <ol style="list-style-type: none"> <li>1. Complies with the condition of 8 (1) (1) of the Law;</li> <li>2. Is late in paying the significant sums of debts (the total sum of inappropriately executed indebtedness exceeds 50 000 EUR) during the assessment;</li> <li>3. Has 15 or more debts late to be paid during the assessment;</li> <li>4. Pre-trial investigation has been initiated with regard to the person due to severe, very severe offence or penal... to the offence against property, property rights and</li> </ol>	<p>Reputational risk is inappropriate and the Projects of the Project Owner cannot be published in the platform of the Company</p>
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<p>material interests, economics and business order, financial system, security of society, civil service and public interests or criminal offences corresponding them according to the penal code of other countries;</p> <p>5. Has declared bankruptcy within 3 last years;</p> <p>6. It is refused to submit written clarifications upon the request of the Company (or within the rational term specified by the Company not submitted) regarding negative information detected by the Company.</p>	
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If it has been specified that the persons indicated in paragraph 7 of the Rules do not meet at least any additional criterion of the assessment of reputation (i. e. a negative factor of negative reputation assigned to this criterion exists), in such case Client assessment rating (risk class assigned) deteriorates to the certain score indicated below.

The Company assesses the factors of negative reputation concerning the additional criteria of the assessment of reputation at the expert level considering the extent of information, its reliability and rationale, risk level indicated. Having assessed a certain factor, the Company adjusts the final score of creditworthiness within the scale indicated below. The Company, filling in the form of the creditworthiness and the assessment of reputation of the Project Owner (Annex No. 2 of the Rules), clearly reasons the extent of the correction of the final score of creditworthiness (i. e. why the final score is reduced namely to such extent) in writing. The Company also records and appropriately stores and documents information from which the presence of the factor of negative reputation can be identified.

In case the factors of negative reputation indicated below with regard to more than one person indicated in paragraph 7 of the Rules exist, the conformity of these negative factors of reputation influence the final score separately and are summed (e. g. when negative factors are present with regard to two separate participants, the factors of the negative reputation of both participants influence final score).

**If at least one factor of negative reputation indicated below is present, it is considered that the reputation of the Client does not satisfy the additional criteria of the assessment of reputation (negatively affected final rating of the Client)**

<p>The person indicated in paragraph 7 of the Rules:</p> <ol style="list-style-type: none"> <li>1. During assessment is late to execute the significant sums of indebtedness (the total sum of inappropriately executed indebtedness equals 5000 – 50 000 EUR); seizure of their property or seizure with regard to the property managed by them is imposed;</li> <li>2. Within 1 last year has been late to execute his/her financial obligations more than 5 times (irrespective of their sum);</li> <li>3. Within 5 last years has often participated in legal proceedings (&gt; 5 times) as a defendant or has lost at least one litigation (being a defendant), the sum of which made at least 50 per cent of the sum aimed to be financed on</li> </ol>	<p>Impact possible on the final score within the scale from 1 to 1,5 (having received the clarifications of certain people)</p>
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<p>the platform of the Company;</p> <p>4. Within 5 last years he/she (if it is a legal entity) or the sums managed (had been managed) by him/her or the companies belonging (or companies that belonged) to him/her declared insolvency proceedings or restructuring case, investigation in accordance with article 2.124 of Civil Code or certain procedures according to the legislation of foreign countries were initiated;</p> <p>5. Within 5 last years administrative penalty or other effect specified in laws has been applied for the serious infringement of law or other legal act regulating providing of financial services or the activity of financial institutions, the infringement of requirement, the infringement of the Law on the Prevention of Money Laundering and Terrorist of the Republic of Lithuania.</p>	
<p>The person indicated in paragraph 7 of the Rules:</p> <p>1. Within 5 last months has participated (&gt;5 times) in judicial procedures as a defendant or has lost at least one litigation (being a defendant), the sum of the lawsuit of which made at least 25 per cent of the sum aimed to be financed on the platform of the Company;</p> <p>2. Within the period before more than 1 year but no later than 3 years was late to execute his/her financial obligations more than 5 times (irrespective of their sum);</p> <p>3. Negative information is found about the persons in reliable mass media (e. g. investigative journalism regarding possible infringements of legal acts), whereas the person does not essentially deny this information with additional explanations.</p>	<p>Possible impact on the final score from 0,5 to 1 (having received the clarifications of certain people)</p>
<p>The person indicated in paragraph 7 of the Rules:</p> <p>1. During assessment is late to execute the indebtedness of small extent (from 1000 to 5000 EUR);</p> <p>2. In public sphere a significant amount of negative feedback of other people is found about these persons (as about businesspeople), as well as legal entities managed or controlled by these persons, whereas the person does not essentially deny this information with additional explanations.</p>	<p>Possible impact on the final score up to 0,5 (having received the clarifications of certain people)</p>