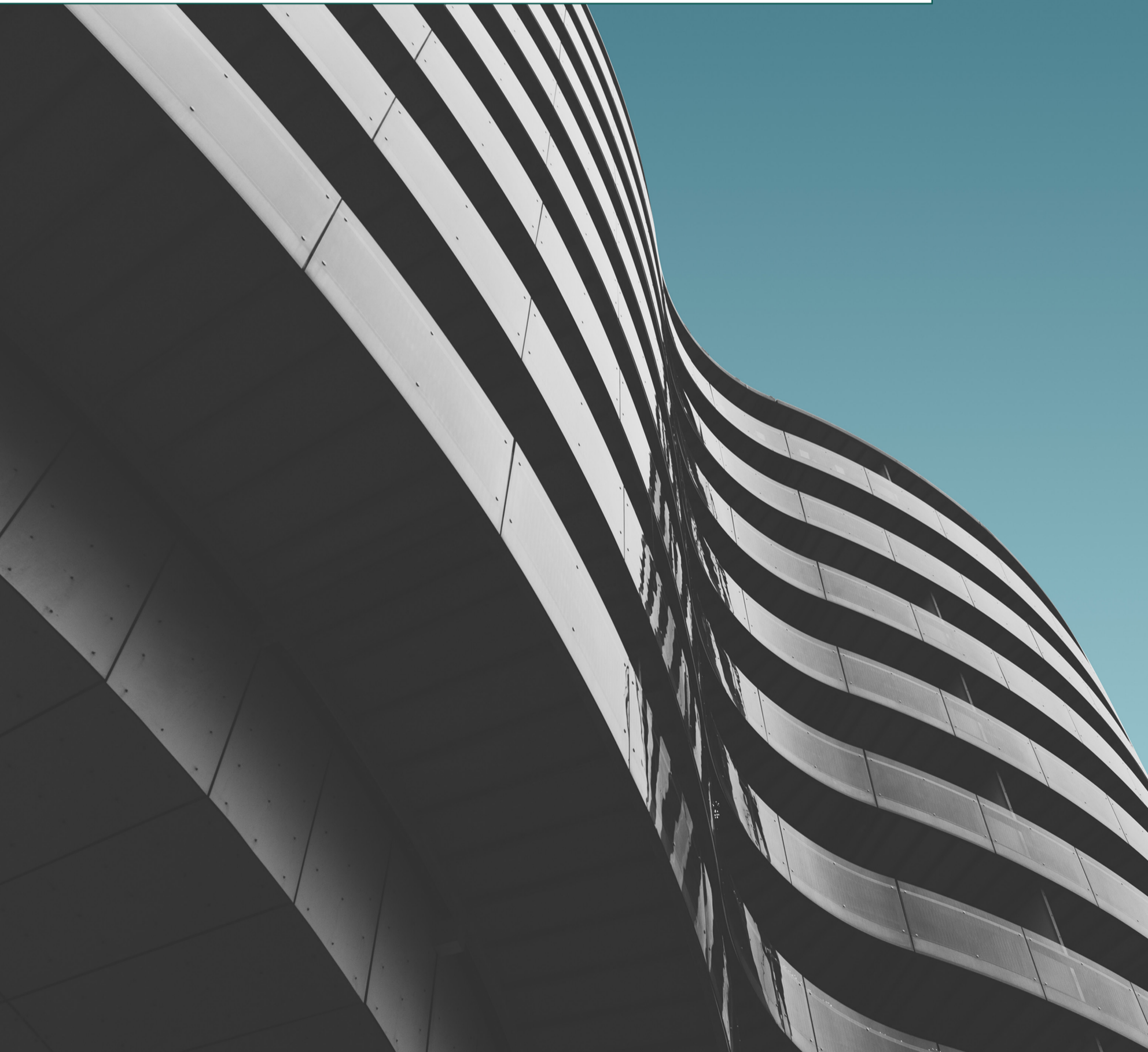


NVB BUSINESS MODEL SCHEME



1. Overview

The New Venture Brokerage Investment Company (*hereinafter NVB, Investment Company*) aims to run securitization activity to provide fully fledged service to institutional and UHNW individuals. The main approach is to run equity research and help the clients to find the desired private equity, on the other hand the Investment Company will serve to private equity and venture capital companies providing them a source of financing.

The Securitization in Private equity¹ and securitization itself as a part of custody (and Transfer Agent) business is amenable to full digitalization, as records are kept in an electronic register. This makes the Private equity, initially a conservative market, to have an obvious growing potential right now.

The first private equity offered via funds were created in the 1950s. However, there were few such formal structures, and they were mostly marketed to individual investors rather than to institutional ones. A series of regulatory changes in the US and Europe enabled institutional investors to effectively outsource the management of fund investments to specialized firms and eliminate the need for in-house expertise. These favorable regulatory events together with the evolution of the limited partnership resulted in a spectacular growth of the private equity industry.

2. Securitization types

The private asset-backed or linked with cash-out event structures, being implemented by financial originators, are typically described in the market as “private revolving securitizations”. In broad terms they involve funding by a small number of investors on a limited recourse basis to an SPV established by an **originator** and secured on a portfolio of specialty finance assets to be acquired by the SPV from the relevant originator throughout the life of the transaction.

The SPV funds the acquisition of the private equity which is being specified by the Investment Company through issuing security (debt and equity (hybrid) securities

¹ **Private equity Comparison to other assets**

A hypothetical investment of USD 100 invested in five different financial instruments on 1 January 1980 and assuming reinvestment of all proceeds provides a clear return comparison across asset classes. Private equity clearly shows the highest returns with an ending value of USD 27,024, equating to an annual time-weighted return of 15.0% - an outperformance of 5.5% and 4.3% over the MSCI World and S&P 500 indices, respectively.

consisting in notes certificates²) to investors.

SPV securitized private equity shares cash flow with a maturity date linked to a liquidity event, such as a cash flow from a merger or an initial public offering (IPO). This type of securitization is known as an exit-linked securitization. In this type of securitization, an SPV is created to hold the shares of the private equity company, and securities are issued to investors. The maturity date of the securities is linked to the liquidity event, such as a merger or IPO. On the maturity date, the holders of the securities will have the option to convert the securities into equity in the private equity company, or to receive cash from the proceeds of the merger or IPO.

It is possible to link notes with a company's IPO or a company merger cash out. These types of notes are often referred to as "Contingent Capital Securities" or "Contingent Value Rights" (CVRs).

In case of an IPO, the notes may be converted into equity at a specified conversion price, or may be redeemed for cash at a premium to face value, depending on the terms of the notes. The conversion price or premium is usually based on the price of the stock at the time of the IPO.

Since the Private equity market revolutionizes and involves more of from technology sector there come two approaches in investments in it:

1. the US approach: selling it directly via private not securitized SPV special purpose vehicle (SPV), and
2. the EU approach: selling it through **securitized** SPV (not allowed for the public sale of private equity shares, except via securitization)

Both systems of EU and US approaches in terms of sales and originators or agents involved in the process are the same. They could be run by either investment companies or brokers.

3. The role of NVB

The NVB Investment Company will have several roles in the securitization process including:

²The process securitization considered as true sale transactions where the securitization vehicle acquires the underlying assets from the Originator (in our case originator provides the assets to securitization vehicle) directly, when the actual assignment of receivable is made and funds flow generating by the underlying receivables is transferred to the SPV directly.

ORIGINATOR

as an Originator the Investment Company can research or create the assets that will be securitized, such as generated cash flow from private equity, or other financial assets. The Investment Company will mainly package the assets, transfer them to the SPV and then sell securities backed by the assets to investors. The Investment Company may also be responsible for servicing the underlying assets and for making payments to the investors, who hold the securities.

UNDERWRITER

as an Underwriter the Investment Company will arrange the sale of the securities to investors and provide a guarantee to the buyers of the securities that they will be able to resell the securities at a certain price.

ARRANGER

as an Arranger the Investment Company will coordinate the various parties involved in the securitization process, such as the originator, the SPV, and the investors.

PLACEMENT AGENT:

as a Placement Agent the Investment Company markets the securities to potential investors and helps to raise capital for the issuer.

SERVICER

as a servicer the Investment Company will collect payments from the underlying assets and make payments to the investors who hold the securities.

TRANSFER AGENT

In the securitization process, an Investment Company acts as a transfer agent by issuing securities on behalf of the entity that is securitizing its assets. The issuance will typically involve the following steps:

- a. The Investment Company chooses the assets to be securitized.
- b. The Investment Company works with the securitizing entity (SPV) to create the securities that will be issued. This includes determining the terms of the securities, such as the interest rate, maturity date, and credit rating.
- c. The Investment Company then registers the securities with the CDA (if necessary) and sets up the necessary infrastructure to issue and trade the securities.
- d. Once the securities are registered, the Investment Company issues them to investors and acts as the intermediary between the investors and the securitizing entity. This includes handling transactions, providing information to investors, and ensuring compliance with regulatory requirements.

CUSTODIAN (ACCOUNT OPERATOR):

as a custodian the Investment Company will maintain records of securities ownership and facilitate the transfer of ownership when securities are bought or sold. Some part of securities will be placed in CDA, the other part can be placed in Armenian exchange (for public placements), depending on the status of the securities. The Investment Company will role of as an Account Operator in this case.

Securitization is widely viewed as a commoditized service, which has seen significant change in recent years. Integrating new technologies in the scope of global innovation shift, we expect this to accelerate in future.

4. The model scheme

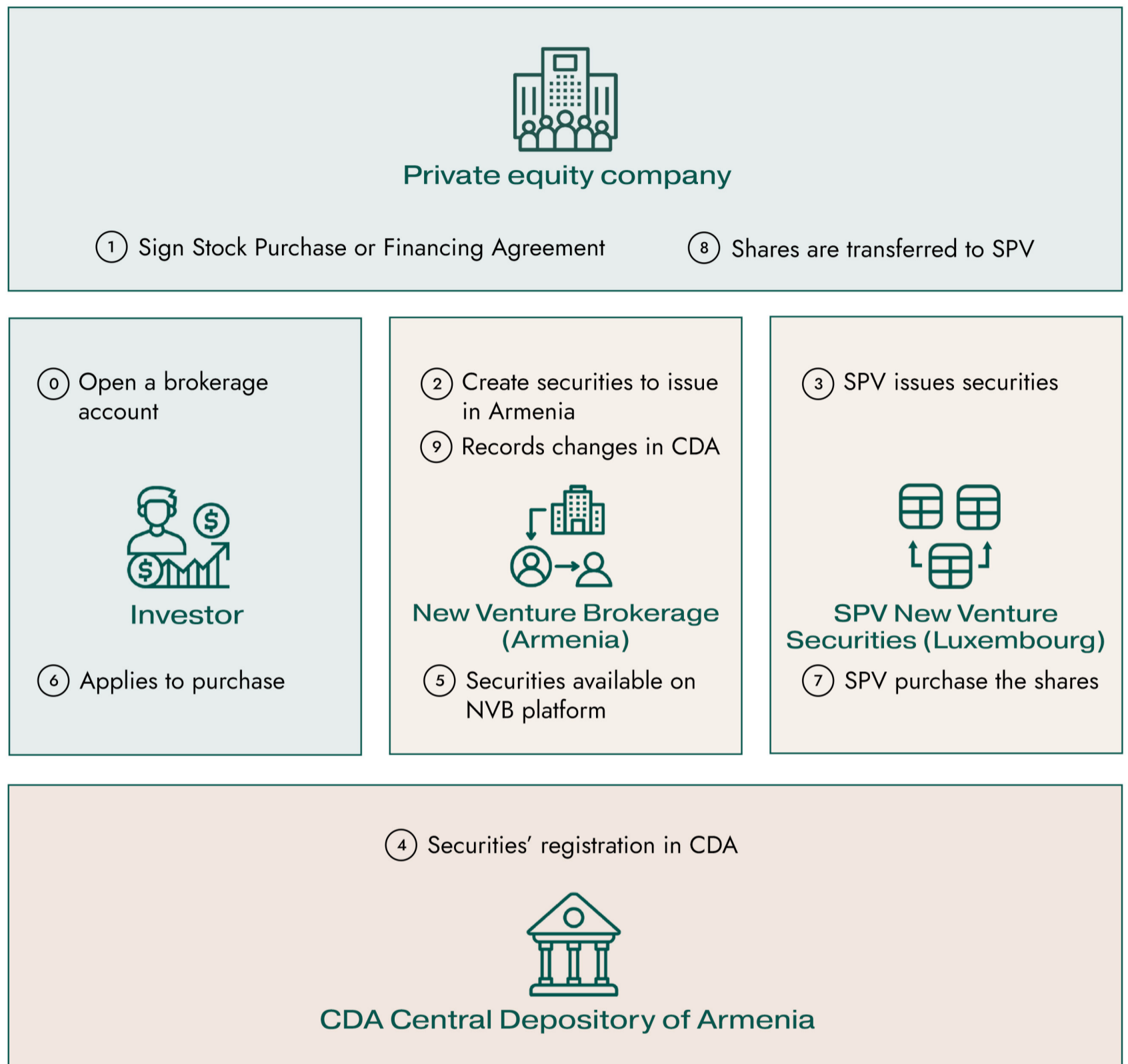
Since NVB company will work with the EU approach, here is the description of working scheme and flows between the agents involved:

- ① Asset selection. NVB and the Shareholder sign the Stock Purchase or Financing Agreement, where NVB also acts as the representative of the SPV in share acquisition process.
- ② NVB is chosen to act as the transfer agent for the securitization. NVB works with the securitization vehicle and the private equity company to create the securities that will be issued in Armenia. The SPV:
 - a/ signs a Transfer Agent Agreement with NVB,
 - b/ signs the Deed of Securities Issuance for a non-public securitization³,
 - c/ NVB preliminary opens booking for the Securities
 - d/ issues Securities/Notes.NVB with the SPV issue the Securities to investors in accordance with the Order Book.
- ③ The Securities are being registered in CDA and get their ISIN ISIN registration for the Securities / Notes.
- ④ The investor applies to purchase Notes
The Investment Company acts as the intermediary between the investors and the securitization vehicle. The Investment Company also maintains records of the securities' ownership and facilitates the transfer of ownership when securities are bought or sold.
- ⑤ NVB runs the KYC process for the Investor, if the results are positive, sends him:
 - a/ the information for purchase,
 - b/ the Note Purchase Agreement to sign,
 - c/ details for payment.
- ⑥ The investor signs the agreement and pays for the acquisition to the bank of NVB in Armenia.

³Terms of the notes: The Deed of Notes Issuance sets forth the terms of the notes being issued, such as the interest rate, maturity date, and credit rating. It also specifies the denomination and number of notes being issued and the rights of the note holders. Use of proceeds: The Deed of Notes Issuance outlines the use of proceeds from the sale of the notes, as well as any restrictions or covenants on the use of the proceeds.

- 7 NVB's bank notifies on funds receipt.
- 8 The securitization vehicle uses the proceeds from the sale of the securities to purchase the shares.
- 9 The private equity company's shares are transferred to the securitization vehicle
- 10 NVB records correspondent changes on the ownership either in its own private Registry, or in the Registry of Central Depository of Armenia.
- 11 NVB confirms the right for assets to the Investor and provides detailed information about his securities (Delivery VS Payment)
- 12 The private equity company continues to manage the underlying assets, and the securitization vehicle receives the cash flows generated by the assets. The securitization vehicle then uses these cash flows to make interest and principal payments to the investors who hold the securities. When the maturity date of the securities is reached, and the securities are redeemed, the securitization vehicle can use the proceeds to buy back the shares of the private equity company, or distribute the proceeds among the security holders.

Securitization and trading scheme



- ① Investor open a brokerage account on NVB platform, runs KYC and replenish his account
- ② NVB and the Shareholder sign the Stock Purchase or Financing Agreement
- ③ NVB and securitization vehicle (SPV) create securities that will be issued in Armenia
- ④ NVB & SPV sign Transfer Agent agreement and Deed of Securities Issuance. SPV Issues securities
- ⑤ Securities are being registered in CDA and get ISIN
- ⑥ Securities fall into the order book. Available for purchase on NVB platform
- ⑦ Investor or his manager applies to purchase securities on NVB platform
- ⑧ The securitization vehicle uses the proceeds from the sale of the securities to purchase the shares
- ⑨ The private equity company's shares are transferred to SPV. The SPV notifies NVB on shares transfer
- ⑩ NVB records correspondent changes on the ownership in the registry of CDA