
PROCEDURE FOR MANAGEMENT OF DEFAULTS

1. GENERAL PROVISIONS

- 1.1. This procedure for the management of defaults (**Procedure**) of UAB Crowdpear (**Company**) sets out the procedures and measures that the Company must take in cases where the Project Owner violates the terms of the Loan Agreement and/or improperly performs its obligations assumed under the Loan Agreement.
- 1.2. The Procedure has been drawn up in accordance with Regulation (EU) 2020/1503 of 7 October 2020 on European crowdfunding service providers for business, and amending Regulation (EU) 2017/1129 and Directive (EU) 2019/1937 (**Regulation**) and other legal acts applicable to the Company and regulating its activities.
- 1.3. The head of the Company or a responsible person appointed by him/her shall be responsible for the implementation of the Procedure.

2. DEFINITIONS

- 2.1. Unless the context requires otherwise, the terms used in this Procedure in capital letters shall have the following meanings:
 - 2.1.1. **Company (Operator)** –the operator of the crowdfunding platform Crowdpear, the provider of crowdfunding services UAB Crowdpear, legal entity code 305888586, registered office address Kareiviu st. 11B, Vilnius, Lithuania;
 - 2.1.2. **Lender (Investor)** – a natural person who has submitted an investment (funding) proposal through the Platform or a legal person (User) who has duly registered on the Platform;
 - 2.1.3. **Loan Agreement** – an agreement concluded between the Project Owner and the Lender (Investor) through the Platform, on the basis of which the Lender (Investor) finances the Project and provides crowdfunding funds to the Project Owner, and the Project Owner assumes an obligation to repay the received crowdfunding funds together with interest and other applicable fees within the term specified in the Agreement;
 - 2.1.4. **Platform** – a crowdfunding platform administered by the Operator, accessible at the address <https://crowdpear.com/>, through which the Lenders (Investors) can provide crowdfunding funds to the Project Owner by financing their Project;
 - 2.1.5. **Project** – a project prepared for business needs, except for consumption, and published on the Platform, for which the Project Owner seeks to attract the Loan Amount from Lenders (Investors);
 - 2.1.6. **Project Owner** – the person initiating the Project, which the Company publishes on its administered Platform;
 - 2.1.7. **Procedure** – UAB Crowdpear procedure for management of defaults.
- 2.2. Other terms used in this Procedure shall be understood as defined in the Regulation or other applicable legislation, the Loan Agreement and/or other agreements published on the Platform or concluded between Users and the Operator separately. Unless the context otherwise requires, words used in the singular in the Procedure shall include words used in the plural, and vice versa.

3. DEFAULTS BY PROJECT OWNERS

- 3.1. The Company shall consider that the Project Owner fails to fulfil the obligations assumed under the Loan Agreement when one or both of the following events occur:
 - 3.1.1. The Company considers that the Project Owner is unlikely to pay the full amount or otherwise fulfil their credit obligations related to the relevant Loan Agreement without taking certain actions (e.g. realisation of collateral). The Company has grounds to believe that the

Project Owner will not be able to properly fulfil their obligations related to the Loan Agreement when:

- 3.1.1.1. a necessary restructuring of the credit obligation associated with the loan has occurred when it was likely that the financial liability would be reduced as a result of a significant cancellation or deferral of principal repayments, interest payments or related fees;
 - 3.1.1.2. The Project Owner requested or was granted bankruptcy status or similar protection in order to prevent or delay the repayment of the credit obligation related to the loan in question to the Lenders (Investors).
 - 3.1.2. The Project Owner is more than 90 days late in fulfilling any significant credit obligation related to the Loan Agreement. For the purpose of this Clause, the Company considers that a significant credit obligation is an obligation that exceeds the amount of at least 1 (one) calendar month of instalments payable by the Project Owner under the Loan Agreement.
- 3.2. If the Company establishes any of the circumstances specified in Clauses 3.1.1–3.1.2, the Company takes the following measures and actions:
- 3.2.1. **first**, immediately informs the Lenders (Investors) about the relevant circumstances, together with information on the measures the Company will take to manage the defaults of the Project Owner;
 - 3.2.2. **second**, in accordance with the procedure provided for in the Loan Agreement, terminates the Loan Agreement with the Project Owner;
 - 3.2.3. **third**, initiates the procedures and actions for recovery of debt from the Project Owner as provided for in the Section 9 of this Procedure.

4. METHODOLOGY FOR CALCULATING THE RATE OF DEFAULTS

- 4.1. The Company uses different 12-month observation intervals to calculate the arithmetic average of one-year default rates observed throughout the previous observation period. When calculating the relevant indicator, the Company has to ensure all of the following conditions:
 - 4.1.1. that the denominator shall be the number of defaulted loans monitored at the beginning of the 12-month observation interval;
 - 4.1.2. that the numerator shall include all loans included in the denominator that have been subject to at least one default event during the 12-month monitoring interval.
- 4.2. When performing the calculations provided for in Clause 4.1 of this Procedure, loans for which payment is not scheduled for a 12-month observation period according to the payment schedule are not included in the data set used to calculate the default for that period.
- 4.3. When performing the calculations provided for in Clause 4.1 of this Procedure, the Company ensures that the duration of the monitoring of the data of the previous periods used for at least one source is not less than 36 months. If the available observation period is longer for any source, a longer period has to be used; if shorter, the maximum possible period has to be used.
- 4.4. All information related to the methodology for calculating the default rate is clearly disclosed to the Lenders (Investors) by submitting it on the Company's website.

5. METHODOLOGY FOR CALCULATING THE ACTUAL LOAN DEFAULT RATIO BY RISK CATEGORY

- 5.1. When publishing actual default ratios for all loans, the Company calculates the arithmetic averages of the one-year default ratios observed over the entire previous monitoring period by risk category, using non-overlapping 12-month observation periods.
- 5.2. When calculating the one-year default rate by risk categories, the Company ensures that all of the

following conditions are met:

- 5.2.1. the denominator has to consist of the number of default loans observed at the beginning of the 12-month observation period in the risk category for which the default rate is calculated;
- 5.2.2. the numerator has to include all loans included in the denominator that have been subject to at least one default event during the 12-month monitoring period.
- 5.3. According to Clause 5.2 of this Procedure, loans for which payment is not scheduled for a 12-month observation period according to the payment schedule are not included in the data set used to calculate the default for that period.
- 5.4. According to Clause 5.1 of this Procedure, the Company shall ensure that the duration of the monitoring of the data for at least one source of the previous periods used for at least one source is not less than 36 months. If the available observation period is longer for any source, such longer period has to be used; if shorter, the maximum possible period has to be used.
- 5.5. All information related to the methodology for calculating the actual loan default rate according to risk categories is clearly disclosed to the Lenders (Investors) by publishing it on the Company's website.

6. METHODOLOGY FOR CALCULATING THE EXPECTED LOAN DEFAULT RATIO BY RISK CATEGORY

- 6.1. By publishing the expected default rates of all loans, the Company shall base its estimates of expected default rates by risk categories on the actual default rates of loans by risk categories calculated in accordance with Section 5 of this Procedure.
- 6.2. According to Clause 6.1 of this Procedure, the Company ensures that the duration of the monitoring of the data of the previous periods used for at least one source is not less than 36 months. If the available observation period is longer for any source, a longer period has to be used; if shorter, the maximum possible period has to be used.

7. ASSIGNMENT TO RISK CATEGORIES

- 7.1. The Company assigns individual loans to the appropriate risk category established in the Company's internal documents in accordance with Sections 5 and 6 of the Procedure, taking into account, among other things, all relevant factors that may have a negative impact on the results of the loans.

8. PRE-TRIAL DEBT RECOVERY PROCEEDINGS

- 8.1. The Company, no later than 30 (thirty) and not less than 20 (twenty) calendar days before the last day specified in the Payment Schedule for payment of the final instalment, reminds the Project Owner by e-mail about the upcoming date of payment of the instalment. The Project Owner has to be informed that the date specified in the Payment Schedule or, if the date specified in the Payment Schedule is not a business day, the next business day following it, is the last date to pay the instalment.
- 8.2. Upon the due date for payment of the final instalment set out in the Payment Schedule, the Company informs the Project Owner by e-mail, no later than within 3 (three) business days, that the final instalment set out in the Payment Schedule has been overdue, that default interest is applicable, and that, in the event of any further delays in the fulfilment of the obligations, the Project Owner's personal data may be entered into the systems of the credit agency Creditinfo Lietuva UAB, and that in the event of failure to make payment of the final instalment by the deadline set out in the email, recovery proceedings will be initiated.
- 8.3. The Company, no later than 14 (fourteen) calendar days after the expiry of the deadline for the payment of the final instalment set out in the Payment Schedule, sends a reminder to the Project Owner by e-mail, to pay the instalment as soon as possible and avoid recovery proceedings.

- 8.4. The Company, no later than 28 (twenty-eight) calendar days after the expiry of the deadline for the payment of the final instalment set out in the Payment Schedule, sends the second reminder to the Project Owner by e-mail, to pay the instalment as soon as possible and avoid recovery proceedings.
- 8.5. If the Company has placed the data of the Project Owner in the systems of the credit agency UAB Creditinfo Lietuva, the Company sends the Project Owner a notification by e-mail regarding the registration of the debt in the databases of UAB Creditinfo Lietuva.
- 8.6. The Company terminates the Loan Agreement in the cases and within the terms set forth in Clause 9.1 of the General Terms and Conditions of the Loan Agreement.

9. JUDICIAL/ENFORCED DEBT RECOVERY PROCEEDINGS

- 9.1. Upon termination of the Loan Agreement, the Company has to initiate debt recovery from the Project Owner. For debt recovery proceedings, the Company may use an external lawyer or a debt recovery specialist with appropriate expertise and experience in the field of debt recovery.
- 9.2. The Company or a responsible person appointed by it, contacts the Project Owner within 2 (two) business days after the termination of the Loan Agreement and discuss the possibilities of repaying the debts of the Project Owner.
- 9.3. In the event that a mutual agreement on repaying the debt of the Project Owner is not reached in the manner provided for in Clause 9.2 of the Procedure, forced debt recovery has to be initiated, i.e.:
 - 9.3.1. a notary has to be immediately contacted for the issuance of an enforcement document under the mortgage agreement concluded by the Project Owner;
 - 9.3.2. upon receipt of the enforcement document from the notary, the document is submitted to the bailiff, who initiates recovery in favour of the Company from the collateral pledged by the Project Owner.
- 9.4. If the value of the assets pledged by the Project Owner in favour of the Company is not sufficient to cover the Project Owner's debts under the Loan Agreement, the Company has the right to apply to the court for the recovery of the debt. The Company also has to apply to the court for interim measures of protection and seizure of the Project Owner's assets.
- 9.5. The Company also performs all other procedural actions that are possible and necessary for the recovery of the debts of the Project Owner, for example:
 - 9.5.1. applies to the court for repayment of the debt under the guarantee agreement (if any);
 - 9.5.2. applies to a notary public for the execution of an enforcement order against a promissory note issued by the Project Owner (if such a note was issued by the Project Owner);
 - 9.5.3. perform any other actions that are possible under the security measures issued by the Project Owner for the benefit of the Company.
- 9.6. In the event that bankruptcy or restructuring proceedings are initiated against the Project Owner, the Company prepares a creditor's claim and submit it to the insolvency administrator of the Project Owner.
- 9.7. If the Company uses an external service provider (e.g. a lawyer, a debt collection specialist, etc.) for the recovery of the debts of the Project Owner, the Company has to ensure that all debt recovery actions carried out by the external service provider are coordinated with the Company and ensure maximum protection of the interests of the Lenders (Investors).
- 9.8. All the debt recovery actions of the Project Owner discussed in this section of the Procedure has to be carried out taking into account the financial situation of each Project Owner and may be changed and/or adjusted accordingly.

10. DISCLOSURE OF INFORMATION

- 10.1. The Company discloses at least the following information on the Platform, which Company administers:
 - 10.1.1. annually, the default rates of the crowdfunding projects proposed on the Platform for at least the last 36 months (from the start of the Platform's operation to 36 months of actual operation, the data will be reported for the Platform's actual operation period) (in accordance with Clause 5 of the Procedure);
 - 10.1.2. within four months of the end of each financial year, a scoreboard containing the following information (in accordance with Clause 6 of the Procedure):
 - 10.1.2.1. the expected and actual default rates for all loans intermediated by the Company, by risk category and indicating the risk categories identified in the risk management framework;
 - 10.1.2.2. a summary of the assumptions underlying the determination of expected default rates; and
 - 10.1.2.3. the actual return received if a target rate for the management of the individual loan portfolio has been proposed.
- 10.2. The information provided for in Clause 10.1 of this Procedure is disclosed on the Company's website, in a clearly visible place.

11. FINAL PROVISIONS

- 11.1. This Procedure and its amendments enters into force on the day following the date of their adoption, unless a different effective date is specified.
- 11.2. Decisions on the approval, annulment, amendment and/or supplementation of the Procedure shall be taken by the CEO of the Company.
- 11.3. The employees of the Company shall be made aware of this Procedure and any amendments thereto in accordance with the procedures established by the Company.