
UAB CROWDPEAR

PROCEDURE FOR ASSESSING THE SUITABILITY OF CROWDFUNDING TRANSACTIONS AND MODELLING OF THE CAPACITY FOR LOSS

1. GENERAL PROVISIONS

- 1.1. UAB Crowdpear (“**Company**”) procedure for assessing the suitability of crowdfunding transactions and modelling the capacity for loss (“**Procedure**”) establishes requirements for the procedure for assessing the suitability of crowdfunding transactions for Inexperienced Investors and modelling the capacity for loss of Inexperienced Investors.
- 1.2. This Procedure is prepared in accordance with the requirements of Regulation (EU) 2020/1503 (“**Regulation**”), Directive (EU) 2014/65 (“**Directive**”) and other applicable legal acts.

2. TERMS USED IN THE PROCEDURE

- 2.1. As used in this Procedure, the following terms have the meanings set out below:
 - 2.1.1. **Company (Operator)** – crowdfunding platform “Crowdpear” operator, crowdfunding service provider UAB Crowdpear, code of legal entity 305888586, seat address: Kareiviu st. 11B, Vilnius, Lithuania;
 - 2.1.2. **Directive** – 2014 May 14 Directive 2014/65/EU of the European Parliament and of the Council on markets in financial instruments, which in parts amends Directive 2002/92/EC and Directive 2011/61/EU;
 - 2.1.3. **Investor (Lender)** – a natural person or legal entity (User) who has submitted an investment proposal via the Platform and who has properly registered on the Platform;
 - 2.1.4. **Inexperienced Investor (Lender)** – User who is not an Experienced Investor (Lender). The Operator considers all Investors (Lenders) to be inexperienced, except for cases where the Investor applied in writing to the Operator and, after the inspection, was classified as an Experienced Investor (Lender);
 - 2.1.5. **Experienced Investor (Lender)** – User who meets the criteria provided in the Operator’s approved and published Procedure and has received a confirmation from the Operator to be considered as an Experienced Investor (Lender), following the specified procedures;
 - 2.1.6. **Platform** – the crowdfunding platform administered by the Operator available at <https://crowdpear.com/> through which the Lenders (Investors) provide the crowdfunding funds to the Borrower (Project Owner);
 - 2.1.7. **Project** – the project prepared and published on the Platform to satisfy the business needs, excluding the consumption, for the implementation of which the Borrower seeks to attract the Loan Amount from the Lenders;
 - 2.1.8. **Project Owner** – the User who initiates and publishes a Project through the Platform to attract the Crowdfunding Funds from the Investors;
 - 2.1.9. **Regulation** – the Regulation (EU) 2020/1503 of the European Parliament and of the Council on European crowdfunding service providers for business, and amending Regulation (EU) 2017/1129 and Directive (EU) 2019/1937;
 - 2.1.10. **Large transaction** – sole transaction with a value equal to or exceeding EUR 15,000;
 - 2.1.11. **Procedure** – the present procedure for assessing the suitability of crowdfunding transactions and modelling the capacity for loss.

- 2.2. The other terms used in the present Procedure are understood as they are defined in the Regulation or other applicable legislation, the Loan Agreement and/or other mutual agreements published on the Platform or separately concluded between the Users and the Operator. Unless the context otherwise requires, words used in the singular in the Procedure must include words used in the plural, and vice versa.

3. EXPERIENCED INVESTORS

- 3.1. The following persons must be considered experienced Investors (Financiers) in relation to all crowdfunding services provided by the Company:

- 3.1.1. legal entities meeting **at least one** of the following criteria:

- a. holding at least EUR 100,000 of own resources;
- b. net turnover of at least EUR 2,000,000;
- c. balance of at least EUR 1,000,000;
- d. entities operating in the field of financial markets who received relevant permits (licenses) from supervisory authorities and are supervised by supervisory authorities. These entities are considered to be: i) credit institutions; ii) investment companies; iii) other authorised or regulated financial institutions; iv) insurance companies; v) collective investment systems and management companies of these systems; vi) pension funds and management companies of these funds; vii) traders in commodities and commodity derivatives; viii) exchange access locals; ix) other institutional investors;
- e. which are national and regional authorities, including public authorities managing public debt at the national or regional level, central banks, international and supranational institutions (e.g., the World Bank, the International Monetary Fund, the European Central Bank and other similar international organisations);
- f. which is another institutional Investor whose main activity is investment in financial instruments, including entities engaged in securitisation and other financing transactions.

- 3.1.2. natural persons meeting **at least two** of the following criteria:

- a. with a personal gross income of at least EUR 60,000 per fiscal year or a portfolio of financial instruments of at least EUR 100,000 consisting of cash deposits and financial assets;
- b. The Investor works or has worked for at least one year in the financial sector in a professional position that requires knowledge of the expected transactions or services, or the Investor has held a managerial position for at least 12 months in a legal entity that corresponds to at least one of the criteria established in paragraph 3.1.1;
- c. during the past four quarters of the year, the Investor executed an average of 10 large transactions per quarter in the capital markets or through crowdfunding service providers.

- 3.2. The Investor (Financier) can be considered by the Company to be the Experienced Investor only if the latter meets the criteria provided for in paragraph 3.1 and submits to the Company an application to be considered the Experienced Investor in the form provided in Annex No 1 to this Procedure, along with relevant evidence confirming compliance with the established criteria.

- 3.3. The Company must grant the Investor's request to be considered the Experienced Investor unless it has reasonable doubts about the correctness of the information provided in the application. After approving the status of the Investor, the Company must clearly inform the relevant Investor about it.

- 3.4. The approval specified in paragraph 3.3 of the Procedure must be valid for a period of 2 (two) years. The Investors who wish to maintain the status of the Experienced Investor after the end of this term must submit a new application to the Company in the form provided in Annex No 1 to the Procedure.
- 3.5. Experienced Investors must be responsible for informing the Company of any changes that may affect their assignment to a specific category.
- 3.6. If the Company finds out that the Investor no longer meets the initial conditions, according to which the Investor was recognised to be an Experienced Investor, the Company must inform the Investor that he will be considered the Inexperienced Investor.
- 3.7. Deviating from the procedure established in this section, the entities indicated in paragraphs 1-4 of Chapter I of Annex II to the Directive must be considered Experienced Investors if they provide the Company with proof of their status as the Experienced Investors.

4. ASSESSMENT OF THE SUITABILITY OF TRANSACTIONS FOR THE INVESTOR AND MODELLING OF THE CAPACITY FOR LOSS

- 4.1. In all cases, prior to granting full rights to the Inexperienced Investor to invest in crowdfunding projects on the Platform, the Company must evaluate whether the offered crowdfunding services are suitable for the future Inexperienced Investor, and which of them are suitable.
- 4.2. For the purposes of the assessment specified in paragraph 4.1, the Company must request information about the experience, investment goals, financial situation and related investment risks in general and a general understanding of the risks of investing in the types of investments offered on the Platform. The information required for the assessment is detailed in section 5 of the Procedure, and its assessment procedure is detailed in section 6.
- 4.3. The Company must review each Inexperienced Investor's assessment specified in paragraph 4.1 every 2 (two) years following the initial assessment.
- 4.4. For the purposes of assessment specified in paragraph 4.1 of the Procedure, the Company must also require future Inexperienced Investors to model their capacity for loss calculated as 10% of the net value of the Investors' assets. Such modelling must be carried out based on the procedure presented in section 8 of the Procedure.
- 4.5. Following the initial modelling, the Company must annually review the modelling provided in paragraph 4 in relation to each Inexperienced Investor.
- 4.6. Each time before a future Inexperienced Investor or Experienced Investor accepts an individual crowdfunding offer and invests an amount exceeding EUR 1,000 or 5% of the net value of that Investor's assets calculated in accordance with section 8 (taking into account which amount is higher), the Company must ensure that this Investor:
 - 4.6.1. must be warned of the risk;
 - 4.6.2. gives explicit consent to the Company; and
 - 4.6.3. would prove to the Company that the future Inexperienced investor understands the investment and its risks. The completed crowdfunding transaction suitability assessment and modelling of the capacity for loss can be used as evidence that a future Inexperienced Investor or the Experienced Investor understands the investment and its risks.

5. INFORMATION REQUIRED FOR THE ASSESSMENT OF THE SUITABILITY OF TRANSACTIONS AND ITS COLLECTION

- 5.1. In order to assess whether and which crowdfunding services offered are suitable for future Inexperienced Investor, the Company must take into account whether:
 - 5.1.1. the future Inexperienced investor holds the necessary experience and knowledge to understand the general risks associated with investing;

- 5.1.2. the future Inexperienced investor holds the necessary experience and knowledge to understand the risks associated with the types of investments offered on the Platform.
- 5.2. In order to implement paragraph 5.1.2 of the Procedure, the Company must evaluate the understanding of the future Inexperienced Investor about what crowdfunding services are and what risks are associated with them.
- 5.3. In order to obtain the information required for the assessment, the Company must ask the Inexperienced Investor to fill in the questionnaire prepared by the Company on the suitability of crowdfunding transactions for the Investor (Annex No 2¹ to this Procedure), each question of which is associated with a corresponding score.
- 5.4. The Investor must fill out the questionnaire specified in Annex No 2 of the Procedure electronically directly on the Company's Platform.
- 5.5. If the Investor is a legal entity, the questionnaire presented in Annex No 2 to the Procedure must be filled out by a person representing a legal entity (e.g., manager).
- 5.6. The Company must take reasonable steps to ensure that the information collected from the future Inexperienced Investors according to the questionnaire provided in Annex No 2 of this Procedure is reliable and accurately reflects the knowledge, skills, experience and financial position, investments, goals of the Inexperienced Investors, and their understanding of the risks involved.
- 5.7. Taking into account paragraph 5.6 of the Procedure, the Company must take at least the following actions:
- 5.7.1. ensure that the questions used in the questionnaire are understandable to the future Inexperienced Investors and are sufficiently detailed, it is possible to gather information from these questions, which properly and accurately reflects the situation of the future Inexperienced Investors;
 - 5.7.2. ensure that the measures used to collect information are suitable for the intended purpose and adapted to the future Inexperienced Investors;
 - 5.7.3. draw the attention of the future Inexperienced Investors to the importance of providing accurate and relevant information.

6. PROCEDURE FOR THE ASSESSMENT OF SUITABILITY OF TRANSACTIONS

- 6.1. Each question in the questionnaire in Annex No 2 to the Procedure has multiple answer choices. Each selected answer represents a certain number of points (the number of points for each selected answer is marked next to the corresponding answer in Annex No 2 to the Procedure).
- 6.2. The Company's information systems automatically calculate the total number of points collected by the Investor, when the information systems receive the answers provided by the future Inexperienced Investor in the questionnaire specified in Annex No 2 to the Procedure.
- 6.3. If a future Inexperienced Investor has scored at least 35 points, the crowdfunding transaction is acceptable to this Investor. If a future Inexperienced Investor scores less than 35 points or chooses at least one answer indicating the unacceptability of crowdfunding transactions (answers indicating the unacceptability of crowdfunding transactions are marked in red next to the corresponding answer in Annex No 2 to the Procedure), it means that the crowdfunding transaction is unacceptable for the future Inexperienced Investor.
- 6.4. When evaluating the financial situation of future Inexperienced Investors, the Company must take into account the results of the detailed modelling in section 8.

7. WARNING TO THE INEXPERIENCED INVESTOR

¹ Annex No 2 is not attached. The questionnaire must be filled out in the Investor's profile.

- 7.1. If the future Inexperienced Investor fails to provide the information required in accordance with Annex No 2 of the Procedure or if the Company, based on the information received in accordance with Annex No 2 of the Procedure, determines that the future Inexperienced Investor scored less than 19 points or chose at least one answer indicating the unacceptability of crowdfunding transactions, the Company must issue this future Inexperienced Investor a warning stating that:
 - 7.1.1. the services offered on the Platform may not be suitable for a future Inexperienced Investor;
 - 7.1.2. investing in a crowdfunding project involves risk, including the risk of losing part or all of the invested money. This risk is clearly indicated by the following text: *“By investing in a crowdfunding project, you risk losing all the money invested”*;
 - 7.1.3. future investments are not subject to the deposit guarantee systems established under Directive 2014/49/EU of the European Parliament and of the Council;
 - 7.1.4. future investments must also not be subject to investor compensation systems established under Directive 97/9/EC of the European Parliament and of the Council.
- 7.2. The warning specified in paragraph 7.1 must be presented to the Inexperienced Investors in an easy-to-read manner and in a noticeable place on the Company’s website.
- 7.3. The window showing the warning specified in paragraph 7.1 must be displayed on the screen of the Inexperienced Investor until this Investor clearly confirms² that the Investor has received and understood the Company’s warning.

8. PROCEDURE FOR MODELLING THE CAPACITY TO ACCEPT LOSSES

- 8.1. The Company provides a tool on its website that allows future Inexperienced Investors to model their capacity for accepting losses (*[the tool is provided in the “Portfolio Overview” window of each investor’s personal account]*). In all cases, this tool must be easy to use and not require future Inexperienced investors to perform any other tasks, except the provision of the information specified in paragraphs 8.5 - 8.8.
- 8.2. The tool for modelling the capacity for loss formed in such a way that the Company cannot independently access the information that a future Inexperienced Investor fills into this tool. Moreover, the Company cannot in any way record additional information or otherwise affect the results of the capacity for a loss modelling tool. However, the capacity for loss modelling tool may include a feature that allows a future Inexperienced Investor to transfer the modelling result to the Company.
- 8.3. In addition to the tool provided on the Company’s website, the Company may also make it possible to model the capacity for loss using another method, which is communicated to future Inexperienced Investors.
- 8.4. When performing the modelling of the capacity for loss, the net value of the future Inexperienced Investors is calculated as follows:

$$\text{Net value of the investor assets} = (\text{net annual income}) + (\text{total liquid assets}) - (\text{annual financial liabilities})$$
- 8.5. Net annual income must be understood as the total annual income received by the Inexperienced Investor after deducting related expenses, social contributions and taxes. Net annual income consists of the following:
 - 8.5.1. earned income, including wages, unemployment benefits and pension benefits, received by the Inexperienced Investor, however, excluding exceptional benefits;

² Clear confirmation is considered to be an action when the Investor fills out the questionnaire and submits it to the Company (Operator).

- 8.5.2. interest on bank deposits or other debt instruments, including payments for bank deposits or other debt instruments received by the Inexperienced Investor during the previous calendar year, but excluding payments that are of an exceptional nature;
 - 8.5.3. dividend payments, which include payments received by an Inexperienced Investor from holding shares or other equity instruments of a collective investment scheme, but excluding any capital gain obtained from the sale of all or part of such a shareholding;
 - 8.5.4. real estate income, which includes any payments received for the rent of real estate, however, does not include capital gains from the sale of all or part of this real estate.
- 8.6. Total liquid assets must be understood as the sum of all funds that the Inexperienced Investor keeps in savings and current accounts, as well as the value of assets that can be easily and quickly realised, including, but not limited to:
- 8.6.1. savings products that can be converted into funds within no longer than 30 calendar days;
 - 8.6.2. financial instruments negotiated in the regulated market as defined in Article 4(1)(21) of the Directive;
 - 8.6.3. shares and units of collective investment schemes offering redemption rights at least once a week.
- 8.7. The following must not be considered liquid assets:
- 8.7.1. real estate;
 - 8.7.2. pension accumulation amounts;
 - 8.7.3. shares of the company that are not freely redeemable or transferable, including previous crowdfunding investments.
- 8.8. Annual financial obligations must be understood as all expenses that oblige an Inexperienced Investor in a given calendar year, including, but not limited to:
- 8.8.1. alimony and child support payments;
 - 8.8.2. rent and mortgage payments;
 - 8.8.3. loan repayments;
 - 8.8.4. payments of insurance premiums;
 - 8.8.5. payments for utility bills, including costs for electricity, heating and water;
 - 8.8.6. service subscription fees;
 - 8.8.7. income and property taxes.
- 8.9. The liquid assets specified in paragraph 8.6 of the Procedure and annual financial obligations indicated in paragraph 8.8 are evaluated on 31 December of the calendar year preceding the year in which the modelling is performed, unless the evaluation as at that date does not accurately reflect the current situation of the future Inexperienced Investor. In this case, the evaluation must be carried out at a later date. The later date can be any date between 31 December of the calendar year preceding the year in which the modelling is performed and the date of performance of the modelling. In all cases, liquid assets and annual financial liabilities must be evaluated on the same date. When setting this date, the future Inexperienced Investors must take into account whether such date selection will allow an accurate assessment of all three values specified in paragraph 8.4.
- 8.10. The net annual income indicated in paragraph 8.5 means the income for the calendar year preceding the year in which the modelling is performed. However, in cases where the valuation of liquid assets and annual financial liabilities is carried out at a later date in accordance with paragraph 8.9, the net annual income is income which was received during the 12 (twelve) months before that later date.
- 8.11. In all cases, the Company must request the future Inexperienced Investors to submit to the Company the results of modelling their capacity for loss.

9. FINAL PROVISIONS

- 9.1. The CEO of the Company is responsible for the proper implementation and control of the Procedure.
- 9.2. Amendments and/or supplementation to this Procedure must enter into force on the day following the date of their adoption unless a different effective date is specified.
- 9.3. The CEO of the Company must ensure that the Company's employees are informed in a timely manner about changes and/or supplementation to this Procedure.
- 9.4. The employees of the Company must be introduced to this Procedure and its amendments in accordance with the procedure established by the Company.

APPLICATION FORM FOR ASSIGNMENT OF THE STATUS OF THE EXPERIENCED INVESTOR

Date and place of submission of the application:	
Investor's full name/corporate name:	
Investor's registration number and LEI code (if applicable):	
Address of the Investor's place of residence or head office:	
Investor's contact details: <ul style="list-style-type: none"> ○ Address: ○ Telephone number: ○ E-mail address: 	

Please consider me an experienced investor on the following ground(s): *(check the criteria the investor meets and provide relevant evidence confirming compliance with the criteria):*

1.	Legal entities meeting at least one of the following criteria:	
i.	holding at least EUR 100,000 of own resources;	
ii.	net turnover of at least EUR 2,000,000;	
iii.	balance of at least EUR 1,000,000;	
iv.	entities operating in the field of financial markets who received relevant permits (licenses) from supervisory authorities and are supervised by supervisory authorities. These entities must be considered to be: i) credit institutions; ii) investment companies; iii) other authorised or regulated financial institutions; iv) insurance companies; v) collective investment systems and management companies of these systems; vi) pension funds and management companies of these funds; vii) traders in commodities and commodity derivatives; viii) exchange access locals; ix) other institutional investors;	
v.	who are national and regional authorities, including public authorities managing public debt at the national or regional level, central banks, international and supranational institutions (e.g., the World Bank, the International Monetary Fund, the European Central Bank and other similar international organisations);	
vi.	who is another institutional investor whose main activity is an investment in financial instruments, including entities engaged in securitisation and other financing transactions.	
2.	Natural persons meeting at least two of the following criteria:	
i.	with a personal gross income of at least EUR 60,000 per fiscal year or a portfolio of financial instruments of at least EUR 100,000 consisting of cash deposits and financial assets;	
ii.	The Investor works or has worked for at least one year in the financial sector in a professional position that requires knowledge of the expected transactions or services, or	

	the Investor has held a managerial position for at least 12 months in a legal entity that corresponds to paragraph 1;	
iii.	during the last four quarters of the year, the Investor executed an average of 10 large transactions per quarter in the capital markets.	

By signing this application, I declare and confirm that:

- I understand the consequences of losing the investor protection provided to Inexperienced investors;
- I take responsibility for the correctness of the information provided in the application.

Enclosed documents:

1. [...]

2. [...]

Name, surname, signature