RULES FOR RELIABILITY ASSESSMENT OF PROJECT OWNERS

1. GENERAL PROVISIONS

1.1. UAB Crowdpear rules for reliability assessment of Project Owners (**Rules**) of UAB Crowdpear (**Company**) set requirements for the reliability assessment of Project Owners, including criteria for the assessment of the reputation and creditworthiness of Project Owners.

1.2. The definitions used in the Rules must be understood as defined in Regulation (EU) 2020/1503 or other applicable legal acts, the Company's legal acts, unless otherwise provided in the Rules.

1.3. The Rules have been developed in accordance with the Regulation and its accompanying implementing legislation.

1.4. The Company confirms, implements and maintains appropriate and effective measures, processes and methods to ensure that these Rules are always observed. The Company must take the necessary measures to avoid the use of the Company's Platform for criminal purposes.

2. DEFINITIONS

2.1. Unless the context requires otherwise, the terms used in these Rules in capital letters must have the following meanings:

2.1.1. **Company (Operator)** crowdfunding platform "Crowdpear" crowdfunding service provider UAB Crowdpear, code of legal entity 305888586, seat address: Kareivių st. 11B, Vilnius, Lithuania;

2.1.2. **Participant must** mean a participant of the Project Owner whose direct or indirect holding of voting rights or share of the authorized capital is equal to or exceeds 20% or who may have a direct and/or indirect decisive influence on the Project Owner;

2.1.3. **Reliability assessment** must be an assessment of the reputation and creditworthiness of the Project Owner carried out by the Company;

2.1.4. **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);

2.1.5. **Supervisory Authority must** mean the Bank of Lithuania;

2.1.6. **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;

2.1.7. **Project Owner** the User who initiates and publishes a Project through the Platform to attract Crowdfunding Funds from Investors;

2.1.8. **Regulation must** 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;

2.1.9. **Directive must the** Directive (EU) 2015/849 of the European Parliament and of the Council of 20 May 2015 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, amending Regulation (EU) No 648/2012 of the European Parliament and of the Council, and repealing Directive 2005/60/EC of the European Parliament and of the Council and Commission Directive 2006/70/EC.

2.1.10. **Rules must** the rules of reliability assessment of Project Owners of UAB Crowdpear;

2.1.11. **Assessor must** mean an employee of the Company appointed by the order of the CEO of the Company who performs the reputation and creditworthiness assessments provided for in these Rules.

3. CRITERIA AND PROCEDURES FOR ASSESSING REPUTATION

3.1. When assessing the reputation, the Company must contact the Project Owner in order to assess the information about the Project Owner's Manager and its Participants. If the Project Owner is a natural person (entrepreneur), information about the Project Owner himself/herself is collected and assessed.

3.2. For the purposes of assessing the reputation of the Project Owner, the information requested must be provided in a standardised form by filling in the questionnaire provided in Annex 1 to these Rules. If necessary, the Assessor may ask the Project Owner for additional information necessary for the assessment of reputation.

3.3. It should be noted that the Company must enter into business relations with the Project Owners only after the Company, in accordance with the established internal procedures, performs due diligence of the Project Owner in accordance with the procedure established by the Law on Prevention of Money Laundering and Terrorist Financing of the Republic of Lithuania and its implementing legal acts. In all cases, the Company does not intend to start a business relationship with customers who pose a higher/significant risk of money laundering and/or terrorist financing. Accordingly, when assessing the creditworthiness of Project Owners, the Company will not take into account the risks or threats of money laundering and/or terrorist financing posed by them, as they, in the Company's opinion, will not significantly affect the creditworthiness of the Project Owner.

3.4. In assessing the reputation, it is considered appropriate if there is no evidence to support the opposite information and there is no reasonable cause to doubt the reputation of the person.

3.5. In assessing the reputation, the following circumstances are taken into account:

3.5.1. whether the Project Owner has not been convicted of a serious, very serious crime or a crime or criminal offense against property, property rights and property interests, economy and business procedure, financial system, public security, public service and public interests or similar criminal offenses in accordance with the criminal laws of other countries if his/her conviction for the above offenses has not been extinguished or revoked or 3 years have not passed after the judgment by which a natural person is convicted of a criminal offense referred to in this clause;

3.5.2. whether there is evidence that the person being assessed is in default or has defaulted on creditors' obligations;

3.5.3. whether there are and/or have been any civil actions, administrative or criminal proceedings, investments or risks taken and loans taken that could have a material impact on the person's financial soundness;

3.5.4. whether the Project Owner is in the register of records of judgments related to violations of national rules in the areas of commercial law, bankruptcy law, financial services law, anti-money laundering law, anti-fraud or professional liability duties;

3.5.5. whether the Project Owner is established in a country or territory which according to the relevant EU policy is considered a non-cooperating country or territory or in a high-risk third country in accordance with Article 9(2) of Directive (EU) 2015/849;

3.5.6. whether there are other factors of negative reputation in the algorithm approved by the Company.

3.6. In order to assess the reputation of the Project Owner, the Assessor must:

3.6.1. collect and assess information about the CEO of the Project Owner and its Participants whose direct or indirect holding of voting rights or share of the authorized capital is equal to or exceeds 20% or who may have a direct and/or indirect decisive influence on the Project Owner. If the Project Owner is a natural person (entrepreneur), information about the Project Owner himself/herself is collected and assessed.

3.6.2. After collecting and assessing the data received and collected in accordance with Clause 3.5 of these Rules, before publishing the project on the Company's platform, in all cases there must be sufficient reason to believe that all persons listed in Clause 3.1 meet all the minimum criteria for assessing reputation, i.e. that the persons listed in Clause 3.6.1 of the Rules:

3.6.2.1. have not been convicted of a serious, very serious crime or a crime or criminal offense against property, property rights and property interests, economy and business procedure, financial system, public security, public service and public interests or similar criminal offenses in accordance with the criminal laws of other countries, if his/her conviction for the above offenses has not been extinguished or revoked or 3 years have not passed after the judgment by which a natural person is convicted of a criminal offense referred to in this clause;

3.6.2.2. does not comply with the terms and conditions provided for in Clauses 3.5.4–3.5.5 of the Rules, under which it is automatically considered that the reputation of the Project Owner cannot be assessed as suitable;

3.6.2.3. does not comply with other conditions provided for in the algorithm approved by the Company, under which it is automatically considered that the reputation of the Project Owner cannot be assessed as suitable.

3.7. For the purposes of the assessment of the reputation of Project Owners, the Company relies on:

3.7.1. documents submitted by Project Owners, their CEOs and Participants;

3.7.2. written explanations provided by Project Owners, their CEOs and Participants;

3.7.3. publicly available and published information about Project Owners, their CEOs and Participants;

3.7.4. data provided by Creditinfo system (**Creditinfo**) administered by UAB Creditinfo Lietuva;

3.7.5. information provided in the registers administered by the State Enterprise Centre of Registers (Real Property Register, Register of Legal Entities, Register of Property Seizure Acts, etc.);

3.7.6. data provided by the Register of Wanted Persons of the Information Technology and Communications Department, as well as other reliable databases legally available to the Company.

3.8. When performing the assessment provided for in Clause 3.5 of the Rules, the Company must also require the Project Owner to provide relevant (not older than 2 months) extracts/certificates from the criminal and/or administrative cases, registers confirming the absence of the circumstances provided for in Clause 3.5 of these Rules:

3.8.1. if the Project Owner is a legal person established in Lithuania or a citizen/resident of Lithuania (in case of a natural person), it is requested to provide an appropriate extract/certificate from the registers administered by the Information Technology and Communications Department under the Ministry of the Interior of the Republic of Lithuania (https://ird.lt/);

3.8.2. if the Project Owner is a legal entity established in a other country than the Republic of Lithuania, or if the Project Owner is a citizen/resident of another country than the Republic of Lithuania (in case of a natural person), it is requested to provide a corresponding extract/certificate from the respective registers/information centres administered by these countries.

3.9. Where possible, the Company also takes steps to obtain access to the relevant registers where it can verify the information about the Project Owner in relation to the circumstances set out in Clause 3.5 of the Rules.

3.10. In assessing the reputation of Project Owners for the purpose of publishing a Project through the Company's platform, the Company reassesses the reputation of the Project Owners in accordance with the procedures set out in these Rules and without any exceptions.

3.11. Having collected sufficient information from the Project Owner to assess the reputation of the Project Owner, its CEOs and Participants, the Assessor assesses the whole set of information collected and decides whether the Project Owner's reputation is appropriate for publishing its Project on the Company's platform. The process of assessing the reputation of the Project Owner takes place in two stages:

3.11.1. firstly, it must be ensured that all the persons listed in the Clause 3.6.1 of the Rules meet all the **minimum criteria for the assessment of reputation** (as set out in Clause 3.5 of the Rules), i.e., the Company must confirm that the persons listed in the Clause 3.6.1 of the Rules: have not been convicted of a serious, very serious crime or a crime or criminal offence against property, property rights and property interests, economy and business procedure, financial system, public security, public service and public interests or similar criminal offences in accordance with the criminal laws of other countries, if his/her conviction for the above offences has not been extinguished or revoked or 3 years has not passed after the judgment by which a natural person is convicted of a criminal offence referred to in this clause; and (ii) do not meet the conditions set out in the algorithm approved by the Company under which the Project Owner's reputation is automatically deemed not to be appropriate. If the Assessor determines that the Project Owner, its CEO and/or the Participant does not meet all of the minimum reputational criteria, the Project Owner's Project may not be published on the Company's platform. Only in such a case, if the Assessor can reasonably be sure that all the minimum criteria for assessment of reputation are met, a second stage of assessment of reputation may take place (as provided for in Clause 3.6 of the Rules);

3.11.2. Secondly, once the Assessor is assured that the minimum reputational criteria are met, **additional reputational criteria** are taken into account which may affect the final rating of the Project Owner's reliability assessment/Project rating, i.e. the final rating of the Project Owner's reliability assessment/Project rating (assigned risk class) may be reduced (i.e. assigned a higher risk class) in the event of additional negative reputational factors as specified in the algorithm approved by the Company. The procedure for the final assessment of the Project Owner/reduction of the Project rating (assigned risk class) is also provided for in the algorithm approved by the Company.

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

4.1. In the assessment of the creditworthiness of the Project Owner, the Company uses:

4.1.1. statistical models (e.g. past financial results);

4.1.2. assessment models (e.g. assessment of the business plan and its prospects, assessment of financial forecasts, assessment of reputation);

4.1.3. automatic models (e.g. reports generated by Creditinfo).

4.1.4. The Company continuously assesses the effectiveness of the creditworthiness assessment process and compliance with applicable requirements, as well as the quality of creditworthiness assessment and models used. The internal audit function within the Company is responsible for this assessment/verification.

4.2. Before publishing the Project on the Company's platform, the Assessor must assess the creditworthiness of the Project Owner.

4.3. In assessing the creditworthiness of the Project Owner, the Assessor must:

4.3.1. collect information about the financial situation of the Project Owner, including information about its obligations;

4.3.2. assess whether the Project Owner's ability to fulfill its financial obligations to the Investors within the set time limits is realistic, i.e. whether the revenue planned to be earned by the Project Owner from the Project will be sufficient to fulfill the obligations assumed under the crowdfunding transaction;

4.3.3. verify that the Project Owner is not subject to bankruptcy or restructuring proceedings;

4.3.4. assess the condition, value and degree of pledge, liquidity, liquidation value and other relevant parameters of the pledged property, which are further detailed in Clause 4.10. If a third party seeks to provide additional security measures (e.g. surety, guarantee) for the Project Owner, the creditworthiness of such person must be assessed *mutatis mutandis* as the Project Owner;

4.3.5. assess the Project itself, its scope and reasonableness in the activities of the Project Owner;

4.3.6. assess the purpose of the loan sought;

4.3.7. assess the structure of the ownership (shareholders) of the Project Owner;

4.3.8. assess the business plan submitted by the Project Owner in relation to the Project to be financed, including, but not limited to (i) the Project Owner's knowledge of the relevant sector and experience in the implementation/development of similar projects; (ii) the validity and reliability of the business plan; (iii) the analysis of the strengths/weaknesses of the Project; (iv) competition in the relevant business sector; (v) the type of customers of the Project Owner and their geographical location.

4.4. If, in assessing the creditworthiness of the Project Owner in accordance with Clause 4.1 of the Rules, the Assessor determines that the risk of the Project Owner is high, the Project Owner would be offered to provide additional security measures.

4.5. In order to assess the creditworthiness of the Project Owner, guarantors (if any) in accordance with Clause 4.1 of these Rules, the Assessor directly or through the third parties (including credit agencies) must collect, manage and rely on information received from external databases (State Enterprise Centre of Registers, the data of the Loan Risk Database administered by the Bank of Lithuania, etc.).

4.6. In order to assess the creditworthiness of the Project Owner in accordance with Clause 4.1 of these Rules, the Assessor must also assess the information and approvals provided by the Project Owner:

4.6.1. by filling in a standard form (registration form) prepared by the Company;

4.6.2. by filling in the Project Owner's application for a financing transaction;

4.6.3. by responding to other inquiries of the Company's Project Owner, if any.

4.7. The Assessor requests the Project Owner to fill in a standardized form (registration form) and provide the following data and information:

4.7.1. the last approved audited financial statements of the Project Owner and the guarantor (if any) for the last 3 (three) years of operation consisting of balance sheet and profit and loss accounts, including information on cash flows. If the Project Owner (and the third-party guarantor) does not have audited financial statements, the Company must request both the financial statements signed by the head of the relevant legal entity and the accountant of that legal entity;

4.7.2. information on the amount of loans and other liabilities held by the Project Owner, their currency, terms of respective loans and liabilities, their repayment schedules and applicable interest or other compensations;

4.7.3. Project Owner's planned income and cash flows related to the Project to be financed. The Company assesses the Project Owner's planned revenue and cash flows in an (i) optimistic, (ii) basic and (iii) pessimistic scenario (the Company considers the Project Owner's own forecasts of revenue and cash flows as the optimistic; while the Company must calculate the base and pessimistic scenarios by reducing the optimistic scenario by 15% and 30% percent respectively). The Company then calculates the average of the revenue and cash flows predicted under all three scenarios and uses the received figures to calculate creditworthiness according to its approved procedure (algorithm) for calculating creditworthiness scores of Project Owners;

4.7.4. Project Owner's forecast financial statements;

4.7.5. additional information (in accordance with the form established by the Company) with explanations on:

4.7.5.1. property (both long-term and short-term);

4.7.5.2. obligations (both long-term and short-term);

4.7.5.3. profit (including EBIT and ETBIDA);

4.7.5.4. cash and cash equivalents;

4.7.5.5. change in sales revenue;

4.7.5.6. income;

4.7.5.7. depreciation and amortization;

4.7.5.8. equity;

4.7.6. with respect of the property to be mortgaged, an appraisal of the property by the Project Owner and the guarantor (if any), a valuation of the property by the property appraisers and a photographic record of the value of the property (or the equivalent of a valuation);

4.7.7. a short business plan or short plan for the use and repayment of the loan in accordance with the submitted form or the information provided by the Project Owner;

4.7.8. if necessary – an extract from the main current account of the Project Owner for at least 6 months unless the Project Owner has been operating for less than 6 months. If the Project Owner has been operating for less than 6 months, it is requested to provide a statement of the main current account of the Project Owner for the entire period of its activity. If the person providing the guarantee (guarantor) is a natural person, his/her consent to verify his/her personal data in external databases must be provided and his/her main bank account statement must be submitted for a period of not less than 6 months, unless he/she has been operating for less than 6 months;

4.7.9. contact details (name, surname, residential address, email, telephone (if any), mobile phone, job title) of the Project Owner's CEO (manager), CEO (manager) of the guarantor in the case of a guarantor who is a legal person, and the guarantor's data (in the case of a guarantor who is a natural person);

4.7.10. contact details (name, surname, residential address, e-mail, telephone (if any), mobile phone, position) and person and/or company code of each Participant of the Project Owner (contact details, personal identification number and part of shares must be provided);

4.8. In order to assess information on the financial situation of the Project Owner or guarantor (if any) and the ability of the Project Owner or guarantor (if any) to perform financial obligations, the Assessor must assess according to the collected data:

4.8.1. the financial situation of the Project Owner or guarantor (amount of income, sources of income, their diversity, sustainability, profitability, possible future changes, etc.);

4.8.2. the history of the Project Owner or guarantor and information about the current and past improper performance of financial obligations;

4.8.3. present and planned obligations of the Project Owner or guarantor, if the Company knows or needs to know about them;

4.8.4. the influence of the circumstances specified by the Project Owner or known to the Company on the economic and financial situation of the Project Owner and the ability of the Project Owner to properly fulfill financial obligations throughout the contract period.

4.9. 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 Project Owner's creditworthiness will be the data on the basis of which the assessment of the creditworthiness of the Project Owner is more conservative.

4.10. The sources of data collected for the purpose of assessing the creditworthiness of a company are detailed in the table below:

Collected data	Data source(s)
information about the financial situation of the Project Owner, including information about the liabilities and assets held by the Project Owner, profitability, etc.	Project Owner / Register of Legal Entities, Mortgage Register, Real Property Register, Register of Property Seizure Acts / Creditinfo Credit agency system / Publicly available information on the Internet
Contact details of the Project Owner	Project Owner
Information and documentation on the ownership of assets and cash flows, certified (audited) financial statements of the Project Owner (and of the third-party guarantor, if any, for the last three years)	Project Owner (and third-party guarantor) / Register of Legal Entities / Real Property Register / Creditinfo credit agency system / Publicly available information on the internet
Project Owner's planned income and cash flows related to the Project to be financed	Project Owner
Project Owner's forecast financial statements	Project Owner
Collateral provided by the Project Owner, including information on the value and valuation of collateral	Project Owner/Real Property Register / independent property appraiser
if the Project Owner (and/or a third-party guarantor) is a natural person – an entrepreneur, documents evidencing the structure of income and expenses received from the activities carried out during the last three years	Project Owner/State Tax Inspectorate (Project Owner (and/or third-party guarantor) must submit approved income declarations)/Creditinfo credit agency system
a written explanation of currently known (or suspected) circumstances that may adversely affect the Project Owner's financial performance or future operations	Project Owner

4.11. The Company considers suitable for creditworthiness assessment: Creditinfo system reports, which are created no later than 1 month after the initial data verification; Reports provided by the Register Center (Register of Legal Entities, Register of Mortgages, Register of Real Estate, Register of Property Seizure Acts), which are issued no later than 2 weeks after the initial data verification.

4.12. The Company must periodically update information on the security measures provided for securing the loan (i.e. at least once a year requires the Project Owner (or a third party if a third party provides security for the obligations of the Project Owner) to submit an updated valuation of the pledged property. At the same frequency, the Company must also update information about persons who have submitted other types of security measures for the obligations of the Project Owner (e.g. assurance, a promissory note, guarantee, etc.).

4.13. When the property is pledged to secure the obligations of the Project Owner, the Company must require the Project Owner to provide a property valuation carried out in accordance with the procedure established by the legal acts of the independent property assessor, which would assess and provide at least the following information:

4.13.1. maturity of the Project Owner's obligations (term of the pledge/collateral);

4.13.2. in the case of financial assets, the last relevant price and average price in the last 12 months in a liquid market;

4.13.3. in the case of physical collateral, the last available market value;

4.13.4. whether there is a market in which property can be easily liquidated;

4.13.5. possible deviations in the value of the pledged property.

4.14. The Company must not accept such collateral (pledged assets), the value of which cannot be determined and/or for the realization of which there is no relevant market. The Company must also ensure that the property is pledged for the entire duration of the loan agreement until the Project Owner duly fulfills the obligations.

4.15. When a third party guarantees the obligations of the Project Owner, the Company must assess the type of guarantee or surety provided, the level of protection granted by it and determine the third party, assess its creditworthiness and reliability (as well as that of the Project Owner) in accordance with the procedure established in these Rules, thus determining whether it will be possible to recover the loan amount from the relevant third party if the Project Owner fails to properly fulfill the obligations, i.e. whether the relevant third party has sufficient assets to cover the obligations of the Project Owner.

4.16. The Company must individually assess each Project Owner or guarantor, and security measures (if any) – creditworthiness assessment will be performed using an expert method.

4.17. During the creditworthiness assessment, the Company seeks to assess the probability of the investor's loss. The Company classifies the credit risk of the Project Owners as: low (1), medium (2), higher (3), high (4), too high (5). Project Owners are classified according to creditworthiness risk by assessing the following criteria (according to the formula provided in the algorithm approved by the Company):

4.17.1. history of obligations of the Project Owner;

4.17.2. Information on the sector in which the Project Owner operates (including macroeconomic conditions and competition) ;

4.17.3. information on a business plan;

4.17.4. projected profitability of the Project;

4.17.5. projected cash flows of the Project Owner;

4.17.6. knowledge and experience of the Project Owner in the relevant business sector;

4.17.7. Return on Equity – RoE ;

4.17.8. Return on Assets – RoA ;

4.17.9. Net Profit Margin – NPM ;

4.17.10. Sales to Total Assets – STA ;

4.17.11. Debt to Equity Ratio – DER ;

4.17.12. Debt Ratio – DR ;

4.17.13. Debt Yield – DY ;

4.17.14. Loan to Value – LV ;

4.17.15. Interest Coverage Ratio – ICR ;

4.17.16. Debt Service Coverage Ratio – DSCR ;

4.17.17. Cash Flow to Debt Ratio ;

4.17.18. Cash Ratio – CR ;

4.17.19. Net Working Capital to Total Assets – NWCTA ;

4.17.20. Capitalisation Rate – CR ;

4.17.21. Profit Yield.

4.18. Each indicator has an appropriate level of relevance, a predicted coefficient and a derived assessment formula.

4.19. The value calculated in accordance with this creditworthiness assessment formula describes the probability of the investor's loss, which is presented as the opinion of the Platform Operator. Below is an assessment scale:

4.19.1. **Class 5 (E)** (Very poor condition, unsatisfactory) – creditworthiness risk is too high

4.19.2. **Class 4 (D)** (Poor condition) – high creditworthiness risk

4.19.3. **Class 3 (C)** (average condition) – higher creditworthiness risk

4.19.4. **Class 2 (B)** (Good condition) – average creditworthiness risk

4.19.5. **Class 1 (A)** (very good condition) – low creditworthiness risk

4.20. If there were guarantors, their creditworthiness is assessed in the same way as the Project Owners. After assessing the creditworthiness of the persons guaranteeing the obligations of the Project Owner, the final creditworthiness risk of the Project Owner would be calculated by withdrawing the average from the risk class (score) assigned to the Project Owner and the risk class (score) assigned to the person guaranteeing the obligations of the Project Owner (e.g. if the Project Owner collected 4 points (class 4 (D)) during the creditworthiness assessment, and the guarantor would collect 2 points (class 2 (B)), the Project Owner's final creditworthiness risk would be assessed as Class 3 (C)), unless the Project Owner is assessed as having a too high creditworthiness risk (Class 5 (E)), in which case the Company would not publish the project of the Project Owner.

4.21. If the Project Owner is a newly established company (e.g. for the development of a specific project or operating for less than 1 financial year), the Company always requires that the obligations of the respective Project Owner be guaranteed in full. In such a case, the creditworthiness score of both the Project Owner and the person guaranteeing his/her obligations must be calculated in accordance with the procedure established in these Rules. After calculating the creditworthiness scores of these persons, they are added together and the final creditworthiness score of the Project Owner is calculated as the average of the received amount, i.e.:

$$\mathrm{FCSPO} = \frac{\mathrm{CSPO+CSGP}}{2}, \text{ where}$$

FCSPO – the final creditworthiness score of the Project Owner;

CSPO – creditworthiness score of the Project Owner, calculated in accordance with the procedure established in these Rules;

CSGP must mean the creditworthiness score of the person who guarantees the obligations assumed by the Project Owner, calculated in accordance with the procedure established in these Rules.

4.22. In assessing the value of the proposed mortgaged real property, the Company relies on current independent valuation reports and/or other reliable external sources (e.g., data from the Real Property Register). In all cases, the Assessor must additionally gather publicly available information on the real property proposed for pledge (its location, condition, use, etc.) and must critically assess the content of the information provided on the value of this real property. In case of doubt regarding the data provided on the value of the real property, the Assessor must rely on the most conservative data.

4.23. In addition, the Company indicates to the investors the value of the mortgaged real property and assesses the reduced probability of the investor's losses. When assessing the assigned creditworthiness risk the platform also uses the LTV (*loan to value*) indicator, depending on the value of which, the final creditworthiness class can be changed:

4.23.1. if the ratio of the collateral to the total loan amount is up to 25% (LTV <25%), the collateral ratio is considered to be sound and may improve the Project Owner's creditworthiness score by up to 0.4 on the final creditworthiness score;

4.23.2. if the ratio of the collateral to the total loan amount is between 26% and 50% (LTV 26-50%), the collateral ratio is considered to be good and may improve the Project Owner's creditworthiness assessment score by up to 0.2 of the final creditworthiness score;

4.23.3. if the ratio of pledged assets to the total amount of the loan exceeds 51% (LTV >51%), the collateral ratio must be considered appropriate, but must not affect the final creditworthiness score of the Project Owner.

4.24. In any case, the LTV indicator can only influence the final creditworthiness score if the criteria set out in Clauses 4.17.1 to 4.17.21 do not determine that the Project Owner's creditworthiness risk is too high (Class 5 (E)). In the event that the Project Owner's financial data (assessed in accordance with the criteria set out in Clauses 4.17.1 to 4.17.21) indicates that the Project Owner has an excessively high creditworthiness risk (Class 5 (E)), the Project Owner's final creditworthiness risk must not be influenced by the LTV indicator and must be deemed to be excessively high creditworthiness risk, in which case the Project must be refused to be published on the Platform.

4.25. The Company concludes an agreement with UAB Creditinfo Lietuva and thus receives access to the Creditinfo credit agency system. Using this system, the Platform Operator checks the data on the debts held and overdue by the Project Owner, which are not yet reflected in the financial statements submitted by the Project Owner. If additional information on debts is found, the Operator must use such data to recalculate the indicators specified in Clause 4.17 and perform a reassessment of creditworthiness.

4.26. The Company must have the right to enter into an agreement with Creditinfo on the exchange of debtors' data and to submit data on the loan received by the Project Owner to the Creditinfo system in order to ensure greater investor security. The Project Owner and investors will be informed about the data placement in a separate notice.

4.27. The final creditworthiness class of the Project Owner (assigned risk class) may also be adjusted taking into account the additional criteria for assessing the reputation of the Project Owner, its managers and/or Participants set out in the algorithm approved by the Company. The procedure for the final assessment of the Project Owner/reduction of the Project rating (assigned risk class) is also provided in the algorithm approved by the Company.

4.28. If the Company determines the Project Owner/Project creditworthiness rating, the maximum amount of the loan to be granted to the Project Owner must also be determined, i.e.:

Creditworthiness rating	Maximum loan amount (calculated as a certain percentage of the property pledged by the Project Owner (LTV))
A (low risk)	75–80% LTV
B (medium risk)	75–70% LTV
C (higher risk)	70–65% LTV
D (high risk)	65–55% LTV

4.29. The Company must have the right to deviate from the maximum limits of the loan amount provided for in Clause 4.28 of these Rules in exceptional cases (e.g., if highly liquid assets are pledged, etc.), but in all cases, the Company must justify its decision on the basis of objective circumstances.

4.30. The creditworthiness rating of the Project Owner/Project does not affect the maximum term of the loan agreement, but in any case, the maximum term of the loan agreement may not exceed 120 months.

4.31. Having carried out the assessment of the creditworthiness of the Project Owner and having made a positive decision on the publishment of the Project on the Platform, the Company must disclose to investors at least the following information:

4.31.1. Project Owner/Project creditworthiness rating;

4.31.2. a clear description and details of how the creditworthiness assessment of the Project Owner was carried out;

4.31.3. probability of default of the Project Owner.

4.32. The Company regularly (at least once a year) updates the information about the creditworthiness of the Project Owner. The Company also immediately informs investors about changes in the creditworthiness assessment process, which may have a significant impact on the results of the creditworthiness assessment process.

5. VERIFICATION OF THE PROJECT OWNER’S RELIABILITY ASSESSMENT PROCESS

5.1. In order to ensure that the credibility of the Project Owner is properly assessed, and human errors are eliminated as much as possible (e.g. when calculating the creditworthiness score), the Company must implement the following measures:

5.1.1. **a standardised automatic creditworthiness score calculation form is used.** The Assessor calculates the creditworthiness score of the Project Owner using the standardized excel form approved by the Company (financial indicators are entered by hand and the creditworthiness score is automatically calculated);

5.1.2. **the ‘four-eye’ principle is implemented.** After the Assessor has calculated the creditworthiness score of the Project Owner and performed the final assessment of the reliability of the Project Owner, the calculations performed and entered together with the sources (documents) justifying them must be submitted to another employee of the Company appointed by the CEO. The latter carries out a verification of the calculations and assessments submitted to him/her (including ensuring that the creditworthiness score has been calculated appropriately on the basis of available data). If inaccuracies are observed during the inspection, the Company’s employee performing the inspection must transfer them to the original Assessor for correction (the correction is followed by a re-examination procedure);

5.1.3. **approval of the assessment process.** After the final verification of the reliability assessment process, the final form of the assessment of the reputation and creditworthiness of the Project Owner with the specified calculation must be signed by both the Assessor and the Company's employee who performed the approval. In such a case, it must be considered that the Company has properly performed the procedure for assessing the reliability of the Project Owner.

6. PROCEDURE FOR DETERMINING THE PRICE OF LOAN AND OTHER CONDITIONS

6.1. For the Project Owner seeking to obtain financing on the Platform, the loan price must be determined according to the following criteria: (i) creditworthiness risk; (ii) loan period. The Company does not take into account criteria such as (i) the principal amount of the loan or (ii) the structure of the loan repayment instalments in time, as the Company offers only one type of schedule to the Project Owners. Below, the Company provides an explanation of how these elements are assessed in determining the price of the loan to the Project Owner.

6.2. First, when calculating the loan price, the Company must take into account the creditworthiness risk of the Project Owner and the expected loan period and set the basic loan price in accordance with the table below:

	Term of the loan			
Creditworthiness rating	Up to 12 months	from 12 to 24 months	from 24 to 36 months	From 36 months
A (low risk)	6–7%	7–8%	8–9%	9–10%
B (medium risk)	7–8%	8–9%	9–10%	10–12%
C (higher risk)	8–9%	9–10%	10–12%	12–14%
D (high risk)	9–10%	10–11%	12–14%	14%

6.3. It should be noted that the provisions of the Regulation and its implementing legal acts also provide for the possibility to use other criteria for calculating the loan price, including: (i) a risk-free rate of return; (ii) the existence of collateral; (iv) fees related to the services provided by the Company; (v) other risks related to the Project and/or the Project Owner (including market conditions at the time the loan is granted, business strategy, value of the loan).

6.4. It should be noted that the Company does not take into account the risk-free rate of return or fees related to the Company's services when calculating the cost of the loan (these fees are covered by the Project Owner and/or the investors, depending on to whom the respective fees are applied, but are not related to the loan itself, the amount of the loan or the applicable interest rate), and does not discount future payments under the loan agreement. Meanwhile, the existence of collateral is assessed in the determination of the creditworthiness rating of the Project Owner/Project and is therefore implicitly included in the pricing of the loan.

6.5. Other risks related to the Project and/or the Project Owner must be assessed when this is relevant, therefore, the Company, as provided for in Clause 6.6 of these Rules, may deviate from the general pricing of the loan and other conditions set out above. Such risks could include, for example:

6.5.1. the financial situation of the Project Owner, taking into account the information collected during the creditworthiness assessment, is good, but the Company has doubts about the feasibility of the business plan or the planned cash flows, estimated income;

6.5.2. certain economic conditions relevant to an individual sector may, in the Company's assessment at a particular time, have a material impact on the development of the Project and/or the ability of the Project Owner to meet their obligations;

6.5.3. the financial situation of the Project Owner is good, and the Project perspectives are also realistic, but the Project Owner has no experience in implementing analogous or similar Projects, etc.

6.6. The Company must also not adjust the price of the loan after the issuance of the loan to the Project Owner. The loan to the Project Owner may only become more expensive as a result of events provided for in the loan agreement (e.g. imposition of default interest or compensatory interest in the event of delay in the timely and proper performance of obligations, etc.).

6.7. The criteria for pricing and other terms and conditions of the loan set out in the Rules above are generic, and the Company must be entitled to deviate from this procedure in individual cases and to apply individual conditions for pricing and other terms and conditions of the loan (e.g., taking into account the market situation, specific factors relating to the Project Owner in the individual case, etc.). In any case, investors are always informed in advance of such cases, with full details of the reasons for the deviation from the standard loan pricing requirements, thereby ensuring fair and just pricing as required by the Regulation and its implementing legislation.

6.8. In order to ensure that the loan price applied to the Project Owner is fair, the Company must, inter alia, take into account and assess the following circumstances:

6.8.1. creditworthiness risk rating;

6.8.2. present net value of the loan:

6.8.2.1. principal amount of the loan;

6.8.2.2. maturity of the loan;

6.8.2.3. frequency of loan installments;

6.8.2.4. appropriate interest rate to discount future repayments;

6.8.3. prevailing market conditions at the time of granting the loan and during the period of validity of the loan;

6.8.4. Project Owner’s business strategy.

7. ASSESSMENT PROCESS FOR EACH LOAN

7.1. The Company must carry out an assessment of each loan at least in the following circumstances:

7.1.1. at the moment of granting the loan;

7.1.2. where the Company considers that it is unlikely that the Project Owner will be able to meet its obligations to repay the loan in full and the Company is not taking any appropriate enforcement or other similar action;

7.1.3. in the event of default of the Project Owner;

7.1.4. when the Companies help the investor to withdraw before the maturity date of the loan.

7.2. The Company must ensure that the assessment of the loan provided in Clause 7.1 of these Rules is based on correct and relevant information for the relevant moment and that the relevant assessment is timely and not older than 3 months before the loan is granted (when the assessment is carried out before the loan is granted).

7.3. At the time of granting the loan, the Company must take into account at least the following criteria/circumstances when performing the loan assessment:

7.3.1. the maturity of the loan;

7.3.2. frequency/periodicity of loan installments (payment schedule) and expected cash flows;

7.3.3. any prepayment option provided in the loan agreement;

7.3.4. the interest rate provided in the loan agreement;

7.3.5. the likelihood of default of the Project Owner;

7.3.6. the value of the collateral (if applicable);

7.3.7. the existence of guarantees and the level at which they ensure the fulfillment of the obligations.

7.4. It should be noted that for the purposes of the assessment under Clause 7.3 of these Rules, the Company does not take into account the risk-free interest rate for the discounting of the loan-related payments.

7.5. During the assessment of the loan after the issue of the loan, the Company must, in addition to the criteria provided for in Clause 7.1 of these Rules, take into account:

7.5.1. the remaining maturity of the loan (until the end of the loan agreement);

7.5.2. the likelihood of possible losses.

7.6. When performing the loan assessment in the case provided for in Clause 7.3 of these Rules, the Company must take into account the following criteria:

7.6.1. conservative assessment of collateral and/or guarantee;

7.6.2. other charges and costs related to debt recovery.

7.7. The Company must establish and approve a loan assessment algorithm for the purposes of this section of the Rules, which must set out the weighting and scoring methodology for each criterion and the means by which the results of the loan assessment are calculated and determined. Information about this algorithm is disclosed to the investors of the Platform by publishing it on the Company's website.

8. REFUSAL TO PUBLISH A PROJECT

8.1. The Company refuses to publish the Project on the Company's platform if:

8.1.1. The Project Owner does not meet the minimum reputational assessment criteria for Project Owners approved by the Company, or the creditworthiness assessment criteria for Project Owners approved by the Company results in the Project Owner being assessed as having too high a creditworthiness risk class (Class 5);

8.1.2. the Company lacks information to carry out the assessments described in the Rules;

8.1.3. if the information available to the Company constitutes grounds for believing that the publication of the Project on the Company's platform would threaten the interests of the investors.

9. INTEGRATION OF SUSTAINABILITY RISKS

9.1. Sustainability risk is understood as an environmental, social or governance event or situation that would have a real or potential significant negative impact on the value of the investment. Sustainability risks are relevant as a separate risk category and can be relevant as an integral part of other risks (including market, credit, and liquidity risks). In the process of assessing Project Owners and loans, the Company follows its approved risk management procedures and, accordingly, assesses all risks, including sustainability risks, and factors that may affect the value of investors' investments and performance. Therefore, in specific cases, environmental, social welfare and governance (ESG) criteria may be relevant, including sustainability risks related to them, which, as an integral part of all other risks and factors, may have a real or potential negative impact on the Company's activities or the value of investors' investments, if there is a chance that a certain loan published on the Platform would be related to sustainability risks.

9.2. The purpose of the Company is not sustainable investment as defined in Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector. In addition, the Company's activities do not promote environmental or social characteristics or any combination thereof. For these reasons, sustainability risk is not relevant, in the Company's assessment, for its crowdfunding services. Investments related to this financial product do not take into account the EU criteria for environmentally sustainable economic activity in accordance with Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment and amending Regulation (EU) 2019/2088.

9.3. The Company considers that the impact of sustainability risk is consistent with the impact of general investment risks (including market, credit, and liquidity risks) and does not specifically affect the performance and/or the amount of risk borne by the Company or the loans published on its Platform.

9.4. The principal adverse impact is understood as the impact of investment decisions that have a negative impact on sustainability factors. As the Company does not promote environmental or social characteristics and the Company's objective is not to make sustainable investments, the negative impact of investment decisions on sustainability factors, as defined in Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector, is not taken into account.

10. FINAL PROVISIONS

10.1. These Rules and their amendments must enter into force on the day following the date of their adoption unless a different effective date is specified.

10.2. The Assessor must be responsible for the implementation of these Rules. If the Assessor is unable to implement the Rules, the head of the Company must be responsible for the implementation of the Rules.

10.3. The head of the Company or his/her authorized person must be responsible for compliance with these Rules.

Annex 1
to UAB Crowdpear Rules for Reliability assessment of project owners

RELIABILITY ASSESSMENT QUESTIONNAIRE FOR THE PROJECT OWNER

[*date*]

Name of the Project Owner		
Legal form of the Project Owner		
Legal entity code		
Whether the following circumstances have occurred to you or to a company controlled by you or of which you are (were) a director:		
1. have been convicted of a serious or very serious criminal offense, or of a criminal offense or misdemeanor against property, property rights and property interests, the economy and business order, the financial system, public security, the civil service and public interests, or of offenses corresponding to these offenses, in accordance with the criminal laws of other countries	Yes ☐	No ☐
2. have been the subject of a trial (accused) for a committed criminal act and/or sentenced for a criminal act, not mentioned in Clause 1, under criminal laws of the Republic of Lithuania or a foreign country	Yes ☐	No ☐
3. have been the subject of any administrative or disciplinary penalties or other sanctions or measures imposed by law	Yes ☐	No ☐
4. have been the subject of bankruptcy, restructuring proceedings, or investigation opened according to Article 2.124 of the Civil Code or to the respective procedures under legal acts of a foreign country	Yes ☐	No ☐
5. have been suspects in a pre-trial investigation	Yes ☐	No ☐
6. have been the subject of any civil, administrative or criminal proceedings, assumption of risks and other obligations that may have a material impact on your financial credibility	Yes ☐	No ☐
If you answered yes to one or more of the above questions, please give a brief description of the background, including the dates of the event and the relevant decisions.		
Are there any other circumstances relating to you or a company you control (controlled) or of which you are (were) a director which may have a negative impact on your reputation?		
Yes ☐ (short description of relevant circumstances)	No ☐	

Name, surname	**Signature**

Annex 2
to UAB Crowdpear Rules for Reliability assessment of project owners

ASSESSMENT FORM FOR THE REPUTATION AND CREDITWORTHINESS OF THE PROJECT OWNER

[*date*]

Name of the Project Owner	
Legal form of the Project Owner	
Legal entity code	

Assessment of the reputation of the Project Owner		
Information provided by the Project Owner on the reputation (of the Project Owner, its CEO (manager) and participants) has been reviewed:	☐ Yes ☐ No	
The information available from public sources has been reviewed:	☐ Yes ☐ No	
The result of the assessment of the Project Owner's reputation:	☐ Appropriate	☐ Inappropriate
Impact of reputational risks posed by the Project Owner, its CEO (manager), participants on the creditworthiness score (detailed reasons for the impact on the final creditworthiness score):		
Assessment of the creditworthiness of the Project Owner		
Loan service ratio has been assessed	☐ Yes ☐ No	
Financial debt and EBITDA ratios have been assessed	☐ Yes ☐ No	
Rate of change in sales revenue has been assessed	☐ Yes ☐ No	
Operational profitability ratio has been assessed	☐ Yes ☐ No	
Equity ratio has been assessed	☐ Yes ☐ No	

Ratio of current liquidity indicator has been assessed	☐ Yes ☐ No
Ratio of industry sector has been assessed	☐ Yes ☐ No
Ratio of business plan has been assessed	☐ Yes ☐ No
Ratio of previous obligations has been assessed	☐ Yes ☐ No
Estimated profitability of the Project has been assessed	☐ Yes ☐ No
Estimated cash flows of the Project Owner have been assessed	☐ Yes ☐ No
Knowledge and experience of the Project Owner in the relevant business sector has been assessed	☐ Yes ☐ No
Other significant circumstances	
Notes	
Creditworthiness risk class assigned	

Assessor

Name, surname **Signature**

The assessment process was verified by:

Name, surname **Signature**