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## **DESCRIPTION OF RISKS RELATED TO INVESTMENT IN CROWDPEAR PLATFORM**

The investment in the crowdfunding projects published in crowdfunding platform administered by UAB Crowdpear (“**Crowdpear**”) is inextricably linked to risk-taking.

Crowdpear takes measures to reduce the investment-related risks, i. e., determines the criteria by which it selects the projects to be published on the Platform; aims to ensure the fulfilment of project owners’ obligations by requiring the project owners to provide various security measures (for instance, the property mortgage), etc.

However, despite investment risk protection measures of Crowdpear, **as a funder, you still risk losing all invested money and/or receivable returns by investing in a crowdfunding project.**

**Your future investments are not subject to the deposit guarantee systems set out in Directive 2014/49/EU of the European Parliament and of the Council.**

**Your future investments are also not subject to the investor compensation schemes set out in Directive 97/9/EC of the European Parliament and of the Council.**

## **MAIN RISKS AND THEIR MANAGEMENT**

Please note that the main risks associated with investing in the Crowdpear platform are the following:

1. **The risk of improper fulfilment of the obligations assumed by the project owner and/or persons who provided the security measures.**

Crowdpear makes maximum efforts to assess the reliability (reputation and creditworthiness) of the project owners and the persons who have submitted the security measures. The assessment is carried out according to an algorithm, that meets high requirements, the calculation of which uses a series of quantitative and qualitative variables. However, Crowdpear cannot guarantee that the project owner will always execute the concluded crowdfunding transaction correctly and on time.

In certain cases, the project owner may not fully or partially fulfil its obligations to the investors (for instance, in case of increased amount of costs necessary for the implementation of the project, improper or ineffective organization of activities related to the project, etc.).

Although the risk of fulfilling the obligations assumed by the project owner is reduced by the security measures required by Crowdpear, it does not eliminate the risk in full scope, so the investors may suffer the losses and not receive the desired financial return.

2. **Risks related to the security measures.**

Although the investments of investors in projects published on the Crowdpear platform are secured by certain security measures (property mortgage, etc.), there may be cases where the value of the corresponding security measure will not be sufficient to fully cover the obligations of the project owner.

Such cases may occur due to a change in the economic situation in the country, the actions of the project owner (having a negative impact on the value of the security measure), the changes in economic indicators, the liquidity of the security measure and the possibility of selling it at the normal market price, etc.

In order to reduce this risk, Crowdpear specialists constantly monitors and evaluates economic indicators in order to update business plans of new projects as early as possible in line with the

changing environment. It adjusts project and project owner evaluation procedures and risk assessment methodology accordingly according to market changes.

### **3. The risks related to recovery under the security measure**

If the project owner does not properly fulfil its financial obligations, Crowdpear can initiate forced collection based on the security measures provided by the project owner.

During the forced recovery, the poor financial situation of the project owner or the person providing guarantees or sureties for the Project may be encountered. It may lead to a longer collection process and a lower amount to be recovered, the size of which may not cover all of the project owner's debts to the investors.

### **4. The risk of changes in the Lithuanian economic situation and tax system.**

Possible changes in economic indicators related to projects, such as depreciation of real estate, a decrease in the income of the project owner, inflation, changes in taxation, changes in bank lending policies, changes in responsible lending provisions.

Crowdpear constantly monitors and evaluates economic indicators in order to update the operational plans of new projects as soon as possible according to the changing environment. According to the changes in the market, the assessment procedures and risk assessment methodology of projects and project owners are accordingly adjusted.

## **WARNINGS AND RECOMMENDATIONS**

**We would like to note that before investing in projects published on the Crowdpear platform, you should at least:**

1. assess your sufficient experience and knowledge in the field of investing;
2. assess the proper understanding of the risks associated with investing;
3. assess your financial condition and possible negative impact in case of unsuccessful investments (i. e., in case of loss of all or part of invested funds);
4. consider the possibility to turn to specialists who can recommend regarding the crowdfunding transaction;
5. consult with specialists on all tax issues that may be relevant to you during the financing of projects published on the Crowdpear platform.

**In addition, please note that:**

1. Crowdpear is not responsible for the correctness of the information provided by the project owner;
2. The project description provided on the Crowdpear platform, the information related to the project estimate and expected income are indicative only and may change due to various market conditions;
3. Each crowdfunding transaction may have its own unique risks; therefore, the investors must assess not only the description of general risks, but also other circumstances that may affect the specific crowdfunding transaction being concluded;
4. Crowdpear platform is only a technical tool to help crowdfunding parties to complete crowdfunding transactions; therefore, Crowdpear is in no way liable to the investors for their lost invested amounts and/or failure to receive the expected return;
5. The statistical information published by Crowdpear about the past crowdfunding transactions cannot be considered a reliable indicator for predicting future investment returns. You should not rely on any past results as a guarantee of future investment results.

For questions about risks or preventive measures, please contact Crowdpear by e-mail [info@crowdpear.com](mailto:info@crowdpear.com).

