

RULES FOR ASSESSING THE RELIABILITY OF PROJECT OWNERS AND ACCEPTABILITY OF CROWDFUNDING TRANSACTIONS TO FUNDERS

I. GENERAL PROVISIONS

1. These Rules for assessing the reliability of project owners of a crowdfunding platform operator UAB “PROCENTAS”, legal entity code 301494583, domicile address K. Donelaičio str. 78, Kaunas, Lithuania (the **Company**) and the acceptability of crowdfunding transactions to funders (the **Rules**) set out the processes to be followed by the Company in assessing the reputability and creditworthiness of Project Owners and the acceptability of specific crowdfunding transactions to funders.
2. The Manager shall appoint the persons responsible for the implementation of the functions provided for in the Rules, approves, implements and maintains appropriate and effective measures, processes and methods to ensure the implementation of the Rules in practice.
3. The Rules have been prepared in accordance with the Law on Crowdfunding of the Republic of Lithuania, the Rules for assessing the acceptability of financing transactions of crowdfunding platform operators to funders and the reliability of project owners approved by Resolution No. 03-169 of the Board of the Bank of Lithuania of 29 November 2016 and other applicable legislation.

II. DEFINITIONS

4. Unless the context requires otherwise, the capitalised terms used in these Rules shall have the following meanings:
 - 4.1. **Law** – the Law on Crowdfunding of the Republic of Lithuania;
 - 4.2. **Funder** – the Customer of the Company seeking to finance the Project or having financed the Project through the Platform;
 - 4.3. **Platform** – an information system administered by the Company, using which crowdfunding is carried out www.heavyfinance.eu;
 - 4.4. **Project** – a project prepared for business, professional, scientific, research and other purposes, other than consumption, and published on the Company's platform, for the implementation of which the Project Owner seeks to attract the crowdfunding.
 - 4.5. **Project Owner** – the Customer of the Company who initiates and publishes the Project to the Funders through the Platform;
 - 4.6. **Manager** – director of the Company;
 - 4.7. **Customer** – a person who has created an account on the Platform administered by the Company, the Project Owner or the Funder.
5. Other terms used in the Rules shall be understood as they are defined in the Law on Crowdfunding of the Republic of Lithuania and other legal acts applicable to the Company's business, unless the terms are defined differently in this section of the Rules.

III. ASSESSMENT OF RELIABILITY OF PROJECT OWNERS

6. In the course of its business, the Company shall take all necessary measures to ensure that the crowdfunding transactions executed through the Platform comply with the requirements of legislation. After it becomes clear in the course of the Project that the Project Owner fails to meet the repute and eligibility requirements of the Company, the Company immediately terminates the publication of a Project, the financing whereof does not comply with legal requirements, on the Platform.
7. The Company shall evaluate the Project Owner's project taking into account the Project Owners' repute and the Project Owners' creditworthiness.
8. The Company shall keep the information, data and documents collected during the assessment and used for the assessment for 10 years from the date of fulfilment of obligations under the financing transaction, unless the applicable legislation governing the legal protection of personal data and storage of documents provides for longer retention periods.
9. The Company shall take all necessary measures to prevent the use of the Platform for criminal purposes. In case of reasonable suspicions that the Platform is being used for illegal purposes, the Company's employees shall inform the competent authorities, terminate the announcement of the Project, and withhold the funds allocated for the financing transaction.

IV. ASSESSMENT OF REPUTATION OF PROJECT OWNERS

10. In order to publish the Project on the website, the Company shall ask the Project Owner to provide:
 - 10.1. information about the Project Owner,
 - 10.2. information about the manager of the Project Owner and its participants who directly or indirectly own voting rights or share capital equal to or greater than 20 percent, or who may directly and/or indirectly exercise decisive influence over the Project Owner.
11. Project Owners seeking to publish Projects on the Platform must have an impeccable repute. Good repute of the Project Owner shall mean a situation when there is no evidence to the contrary and there is no valid reason to doubt the individual's reputation.
12. Circumstances for assessing the repute of the Project Owner include:
 - 12.1. Criminal convictions of persons or the initiation of a pre-trial investigation, with a special focus on convictions of persons for:
 - 12.1.1.1. criminal offenses relating to securities markets or securities or payment instruments;
 - 12.1.1.2. offenses related to money laundering, market manipulation, insider dealing;
 - 12.1.1.3. tax offences;
 - 12.1.1.4. dishonesty and (or) fraud-related offences or financial crimes;
 - 12.1.1.5. other legal offences or breaches of the legislation governing the activities of legal persons, bankruptcy, insolvency or consumer protection.
 - 12.2. Are there any data to confirm that the Project Owner is not fulfilling or has not previously fulfilled its creditor obligations;

- 12.3. Whether there are and (or) have been previous civil lawsuits, criminal or administrative cases, investment or the risks assumed and loans taken which could have a significant impact on the financial soundness of the person;
- 12.4. Whether the Project Owner meets the condition specified in Article 8 (1) (1) of the Law.
- 13. When assessing the repute of the Project Owner, the Company's employees collect and evaluate information about the Project Owner's manager and its participants, who directly or indirectly own the share of voting rights or authorised capital equal to or exceeding 20 per cent or who are likely to have a direct and/or indirect decisive impact on the Project Owner;
- 14. After collecting and evaluating the obtained data in accordance with Clauses 12 to 13 of these Rules, before posting the Project on the Platform the Company's employees must obtain reasonable grounds to believe that the persons listed in Clause 13 of the Rules meet the criteria for assessing the reputation of Project Owners approved by the Company, including, that these individuals have not been found guilty of a serious, grave crime or a crime or criminal offense against property, property rights and property interests, economy and business order, the financial system, public security, public service and the public interest or corresponding criminal offenses under the criminal law of other states, if their conviction for the above offenses has not expired or been revoked or 3 years have not elapsed since the entry into force of the judgment, by which a natural person has been convicted of an offense referred to in this paragraph;
- 15. In assessing the repute of the Project Owners, the Company's employees rely on the information provided by the Project Owner, the Project Owner's manager and the participants – documents and written explanations and publicly available obtainable information about the Project Owner, the Project Owner's managers and participants.
- 16. In the event that the Project Owner repeatedly publishes the Project on the Platform, the Company shall not repeatedly verify the information provided by the Project Owner, unless the Company's employees have reason to doubt the reliability of the information provided.
- 17. The information collected by the Project Owner about the repute is obtained by the Project Owner filling in and submitting a document in the form established by the Company, which is provided in Annex 1 to the Rules.

V. ASSESSMENT OF CREDITWORTHINESS OF PROJECT OWNERS

- 18. Before publishing a Project on the Platform, the Company's employees always assess the creditworthiness of the Project Owner. When assessing the creditworthiness of the Project Owner, the Company's employees:
 - 18.1. collect information on the financial condition of the Project Owner, including information on its assets and liabilities;
 - 18.2. assess whether the Project Owner's ability to meet its financial obligations to the Funders within the time limits set is realistic, i.e., whether the Project Owner's planned income from the Project will be sufficient to fulfil its obligations under the crowdfunding transaction;
 - 18.3. make sure that no bankruptcy proceedings have been instituted against the Project Owner;
 - 18.4. in the event that the Project Owner seeks to raise between 1 and 8 million euro in the Project (or several Projects) over a period of 12 months, the Company additionally:
 - 18.4.1.1. evaluates the information document prepared in accordance with the procedure established by the legal acts of the Project Owner on the financial instruments to be issued. Only an information document prepared by the Company's approved Project Owner may be published on the Platform. Before approving the information document, the Company must satisfy itself that it is complete,

including whether the information contained therein is comprehensible, not contradictory and complies with the rules on the provision of information laid down in the Law and other legal acts governing the preparation of the information document. Such confirmation of the information document shall in no way be considered as confirmation and/or recommendation to the Funders of the information contained therein;

- 18.4.1.2. assesses whether the accounting of financial instruments intended to be distributed by the Project Owner is properly maintained in accordance with the procedure established in the Law on Markets in Financial Instruments of the Republic of Lithuania. In all cases, the Company may publish information on the Platform only in respect of the Project during which the accounting of the issued financial instruments is properly managed in accordance with the procedure established by legal acts.
19. If, in assessing the Project Owner's creditworthiness under paragraph 18 of the Rules, the Company finds out that the Project Owner is exposed to a high risk, the Project Owner would be offered to provide additional security measures.
20. In order to assess the creditworthiness of the Project Owner in accordance with Clause 18 of these Rules, the Company also evaluates the information and representations provided by the Project Owner by filling in a standard form prepared by the Company, the Project Owner's application for a financing transaction and answering other enquiries (if any) from the Company to the Project Owner. In all cases, the Company must collect at least the following information:
 - 20.1. contact details of the Project Owner (name, company code, actual registered office address) and the Project Owner's manager (name, surname, residential address, e-mail, telephone, position title) and the personal and/or legal entity code of each Project Owner who has a direct or indirect share of voting rights or share capital equal to or exceeding 20 per cent or who is likely to have a direct and/or indirect decisive influence on the Project Owner (contact details, personal identification number and indication of the shareholding shall be provided).
 - 20.2. The latest certified financial statements of the Project Owner and any surety or guarantor, if any. If the guarantor or surety is a natural person, his consent to have his personal data checked in external databases and a statement of his main bank account for a period of at least 12 months has been provided, unless he has been in business for less than 12 months.
21. In order to assess the information on the financial standing of the Project Owner or the person providing the collateral and the capacity to meet the financial obligations, the Company's employees also use access to the available registers. The Company's employees evaluate from reliable data the Project Owner's, the person's who provided the security (for example, the guarantor, surety), if any:
 - 21.1. financial standing: amount of income, sources of income, their diversity, sustainability, profitability, possible change in the future;
 - 21.2. activity history and information on current and past non-conformity with financial obligations;
 - 21.3. existing and planned liabilities (if the Company is aware or ought to be aware of them);
 - 21.4. the impact of known circumstances on the economic and financial standing of the Project Owner and the ability of the Project Owner to properly perform its financial obligations throughout the term of the contract.
22. In order to properly assess the financial standing of the Project Owner (or the person providing the security), the Company may enter into an agreement with UAB Creditinfo Lietuva on access to the Creditinfo credit bureau system and check the information about these persons in this system.

23. 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 creditworthiness of the Project Owner will be used, on the basis of which the assessment of the creditworthiness of the Project Owner will be more conservative.
24. After collecting the necessary information, the Company individually assesses the security measures (if any) of each Project Owner, guarantor or surety. Creditworthiness assessment is performed in an expert manner.
25. In its creditworthiness assessment, the Company seeks to assess the likelihood of a loss for the Funders. The Company divides the credit risk of Project Owners according to the following ratings:
 - 25.1. A – low;
 - 25.2. B – medium;
 - 25.3. C – high
 - 25.4. D – excessive.
26. Ratings shall be determined by collecting and evaluating the following information, as the case may be:
 - 26.1. technical data of the project for which the funding is sought;
 - 26.2. evaluation of the legal documents of the project;
 - 26.3. the ratio of the value of the mortgaged property to the amount of financing sought (loan-to-value);
 - 26.4. additional guarantees and obligations provided by the Project Owner (or guarantor);
 - 26.5. sector of activity in which the Project Owner operates;
 - 26.6. other information relevant and important to the Company's assessment.
27. When performing the creditworthiness assessment, the employee assessing the reliability of the Project Owner shall fill in the Project Owner's creditworthiness assessment form provided for in Annex 1 to these Rules.
28. If the Project Owners are given the opportunity to change the mortgaged property or modify their guarantees during the Project implementation, it is ensured that these assets are not of lesser value than the previous obligations or guarantees provided by the Project Owner. In all cases, such changes to the mortgaged property or guarantees are not possible if they would result in a higher credit risk class for the Project Owner.

VI. REFUSAL TO PUBLISH THE PROJECT

29. The Company refuses to publish the Project on the Platform if:
 - 29.1. The Project Owner does not meet the reputation and creditworthiness assessment criteria approved by the Company;
 - 29.2. The creditworthiness of the Project Owner is of excessively high risk (D rating);
 - 29.3. The Company lacks information to carry out the assessments described in the Rules;
 - 29.4. If the information available to the Company gives reason to believe that the publication of the Project on the Platform would jeopardise the interests of the Funders.

VII. ASSESSMENT OF ACCEPTABILITY TO FUNDERS

30. Before enabling the Funder to enter into a specific type of crowdfunding transaction for the first time through the Platform, the Company must offer the Funder to provide information on its knowledge and experience and assess the acceptability of the crowdfunding transaction type (loan investment) to the Funder.
31. When assessing the acceptability of a specific type of crowdfunding transaction to the Funder, the Company shall ask the Funder to provide information on its knowledge and experience in the field of investment related to the type of crowdfunding transaction to be concluded. For this purpose, the Company submits to the Funder to fill in the questionnaire on the acceptability of the crowdfunding transaction to the Funder, specified in Annex 1 to the Rules.
32. The Company, taking into consideration the characteristics specific to the Funder, the nature and scale of the service envisaged, the type of crowdfunding transaction envisaged, including its degree of complexity and the inherent risk shall ask the Funder to provide at least the following information:
 - 32.1. the types of services, transactions or financial instruments with which the Funder is familiar;
 - 32.2. the size and frequency of the Funder's transaction and the period during which these transactions were concluded;
 - 32.3. Funder's education and current and previous profession.
33. Taking into account the information received from the Funder, the Company must assess whether a particular type of crowdfunding transaction is acceptable to the Funder:
 - 33.1. if the assessment of the acceptability of a particular type of crowdfunding transaction to the Funder determines that such type of crowdfunding transaction is acceptable to the Funder, the Platform shall allow the Funder to enter into the relevant crowdfunding transaction.
 - 33.2. if the assessment of the acceptability of a particular type of crowdfunding transaction to the Funder determines that such type of crowdfunding transaction is not acceptable to the Funder, the Company must notify the Funder in writing and provide the Funder with additional information on the risks related to the financing transaction and obtain confirmation from the Funder that he has become aware of them and wishes to enter into a financing transaction.
34. If the Funder refuses to provide the Company with the information it requests, or provides insufficient information about his knowledge and experience in concluding a specific type of crowdfunding transaction, the Company must notify the Funder in writing that the Funder's refusal or incomplete information does not allow the Company to determine whether the type of crowdfunding transaction is appropriate for the Funder, present the risks associated with the financing transaction and obtain confirmation from the Funder that he has read them and intends to conclude the financing transaction.
35. If the Funder is an informed investor, the requirements provided for in this section of the Rules shall not apply to him.
36. The Company shall have the right to follow the information provided by the Funders, unless the Company is aware or ought to be aware that the information is manifestly out of date, inaccurate or incomplete.
37. The Company must keep the information, data and documents collected (assessed) during the assessment of the acceptance of the type of crowdfunding transaction to the Funder for 10 years from the date of receipt, unless other legal acts regulating legal protection of personal data and storage of documents provide for a longer term.

VIII. FINAL PROVISIONS

38. These Rules shall take effect from the date of their approval and may be cancelled or modified only by order of the Manager. After the amendment of these Rules, the latest version thereof is also published on the Platform.
39. The Manager or a person authorised by his decision is responsible for the implementation and compliance with these Rules.
40. The Manager or his/her authorised person shall periodically, but at least once a year, review whether the requirements for assessing the reliability of Project Owners and assessing the acceptability of the type of crowdfunding transaction to the Funder specified in these Rules are sufficiently effective.