

REGULATIONS FOR THE ASSESSMENT OF RELIABILITY OF PROJECT OWNERS OF UAB HEAVY FINANCE

1. GENERAL PROVISIONS

- 1.1. The Regulations for the Assessment of the Reliability of Project Owners of UAB HEAVY FINANCE (hereinafter referred to as the **Company**) (hereinafter referred to as the **Regulations**) set out the requirements for the assessment of the criteria for assessing the reputation and creditworthiness of Project Owners.
- 1.2. Terms used in the Regulations shall have the same meaning as defined in Regulation (EU) 2020/1503 (hereinafter referred to as the **Regulation**), unless otherwise specified in the Regulations.
- 1.3. The Regulations shall be drawn up in accordance with the Regulation and its accompanying implementing legislation, as well as guidance from the competent authorities.
- 1.4. The Company shall adopt, implement and maintain the necessary, appropriate and effective measures, processes and methods to ensure continued compliance with these Regulations. The Company shall take all necessary measures to prevent the use of the Company Platform for criminal purposes.

2. DEFINITIONS

- 2.1. Unless the context requires otherwise, the terms used in these Regulations in capital letters shall have the following meanings:
 - 2.1.1. **Company (Operator)** shall mean UAB HEAVY FINANCE, legal entity code 305576227, registered office address Gedimino Ave. 27, Vilnius, Lithuania;
 - 2.1.2. **Participant** shall 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** shall mean an assessment of the reputation and creditworthiness of the Project Owner carried out by the Company;
 - 2.1.4. **Platform** shall mean the information system (<https://heavyfinance.com/>) administered by the Company through which crowdfunding is carried out;
 - 2.1.5. **Supervisory Authority** shall mean the Bank of Lithuania;
 - 2.1.6. **Project** shall mean a project developed for business, professional, scientific, research and other non-consumption purposes and published on the Company's platform, for which the Project Owner seeks to raise crowdfunding funds;
 - 2.1.7. **Project Owner** shall mean a natural person or legal entity seeking funding through the Platform;
 - 2.1.8. **CEO** shall mean the General Manager of the Company.
- 2.2. Unless the context otherwise requires, words used in the singular in the Regulations shall include words used in the plural and vice versa.

3. ASSESSMENT OF THE RELIABILITY OF PROJECT OWNERS

- 3.1. The Company shall carry out a Project Owner Assessment (in conjunction with the Project Assessment) in at least the following cases:
 - 3.1.1. Before publishing the relevant Project on the Platform;
 - 3.1.2. Where the Company considers that it is unlikely that the Project Owner will meet its obligations to repay the crowdfunding loan in full and the Company does not take any appropriate enforcement or other similar action;
 - 3.1.3. In the event of default of the Project Owner;
 - 3.1.4. When the Company assists the lender to exit before the maturity date of the loan.
- 3.2. In addition, the Company shall monitor on an ongoing basis all Project Owners whose Projects have been published on the Company's Platform and/or to whom loans have been granted through crowdfunding, as

well as the Projects and the loans granted.

- 3.3. For the purpose of monitoring and updating the available data, the Company shall have the right to contact the Project Owner whose Project has been published on the Platform and/or to whom a loan has been granted through crowdfunding once a year (or more frequently if the Project Owner is not fulfilling or is likely to fail to fulfil the obligations) to ask whether there are any new circumstances that may have a material impact on the Project Owner's reliability (e.g, whether the Project Owner's assets have been seized, whether the Project Owner is a defendant in legal proceedings, whether the Project Owner's creditors have made claims against the Project Owner for non-performance or improper performance of its obligations, whether the Project Owner is the subject of bankruptcy proceedings or restructuring proceedings, etc.).
- 3.4. If the Project Owner informs the Company of circumstances that may have a material bearing on the Project Owner's reliability (as referred to in Clause 3.3 of the Regulations), or the Company otherwise becomes aware of such circumstances, the Company shall conduct a reassessment of the Project Owner's reliability in accordance with the procedures set out in these Regulations.
- 3.5. The Company shall take all necessary measures to prevent the use of the Platform for criminal purposes. In case of reasonable suspicion that the Platform is being used for illegal purposes, the Company's employees shall inform the competent authorities, terminate the publication and funding of such Project, and follow the instructions of law enforcement authorities.
- 3.6. In the event that, following a reassessment of the Project Owner's reliability as a result of circumstances that may have a material impact on the Project Owner's reliability, the Company determines that there has been a change in the Project Owner's reliability class, then the Project Owner's reliability class shall be updated on the Company's platform accordingly.

4. CRITERIA AND PROCEDURES FOR ASSESSING REPUTATION

- 4.1. When assessing the reputation, the Company shall contact the Project Owner to assess information about the Project Owner, the Project Owner's Manager and its Participants. If the Project Owner is a natural person (entrepreneur), information on the Project Owner himself/herself shall be collected and assessed.
- 4.2. For the purpose of assessing the reputation of the Project Owner, the information requested shall be provided in a standardised format by completing the questionnaire set out in Annex 1 to these Regulations. If necessary, the Assessor may ask the Project Owner additional information necessary for the assessment of reputation.
- 4.3. 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.
- 4.4. In assessing the reputation, the following circumstances are taken into account:
 - 4.4.1. whether the Project Owner has 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;
 - 4.4.2. whether there is evidence that the person being assessed is or has been in default of creditors' obligations;
 - 4.4.3. 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 credibility;
 - 4.4.4. 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;
 - 4.4.5. 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;
 - 4.4.6. whether there are any other reputational factors listed in Annex 2 to the Regulations.
- 4.5. In order to assess the reputation of the Project Owner, the Assessor shall:

- 4.5.1. collect and assess information on the Project Owner, its manager and its Participants, who directly or indirectly hold an interest in the voting rights or share capital equal to or exceeding 20% or who is in a position to exercise a direct and/or indirect decisive influence over the Project Owner. If the Project Owner is a natural person (entrepreneur), information about the Project Owner himself/herself is collected and assessed;
- 4.5.2. after collecting and evaluating the data received (Clause 4.5.1 of these Regulations), before publishing the Project on the Company's Platform, shall in all cases have reasonable grounds to believe that the Project Owner meets **all the minimum criteria for assessing the reputation of the Project**, i.e. that the Project Owner:
 - (a) does not comply with the terms and conditions set out in Clauses 4.4.4 – 4.4.5 of the Regulations, under which it is automatically presumed that the reputation of the Project Owner cannot be regarded as adequate;
 - (b) does not comply with the terms and conditions set out in Annex 2 of the Regulations, under which the Project Owner's reputation shall automatically be deemed not to be adequate.
- 4.6. For the purposes of assessing the reputation of Project Owners, the Company may rely on:
 - 4.6.1. documents submitted by Project Owners, their managers and Participants;
 - 4.6.2. written explanations provided by Project Owners, their managers and Participants;
 - 4.6.3. publicly available and published information about Project Owners, their managers and Participants;
 - 4.6.4. data provided by the Creditinfo Lietuva system (hereinafter referred to as **Creditinfo**) administered by UAB Creditinfo Lietuva and the Scorify system (hereinafter referred to as **Scorify**) administered by UAB Scorify;
 - 4.6.5. registers administered by the State Enterprise Centre of Registers (Real Property Register, Register of Legal Entities, Register of Property Seizure Acts, etc.);
 - 4.6.6. data provided by the Register of Wanted Persons of Information Technology and Communications Department, as well as other reliable databases legally available to the Company.
- 4.7. When performing the assessment provided for in Clause 4.4.4 of the Regulations, the Company may 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 4.4.4 of these Regulations:
 - 4.7.1. if the Project Owner is a legal entity established in Lithuania or a Lithuanian citizen/resident (in the case of a natural person) – the Company may request the submission of a relevant 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/>);
 - 4.7.2. if the Project Owner is a legal entity established in a country other than the Republic of Lithuania, or if the Project Owner is a citizen/resident of a country other than the Republic of Lithuania (in the case of a natural person) – the Company may request the submission of the relevant extract/certificate from the respective registers/information centres administered by these countries.
- 4.8. The Company shall have the right to take steps, where possible and necessary, to obtain access to the relevant registers in order to verify the information about the Project Owner in relation to the circumstances set out in Clause 4.4.4 of the Regulations.
- 4.9. Once the Company's employees have gathered sufficient information from the Project Owner to assess the reputation of the Project Owner, its managers and the Participants, the Company's employees shall assess the totality of the information gathered and determine whether the Project Owner's reputation is appropriate for the purpose of publishing the Project Owner's Project on the Company's Platform. The process of assessing the reputation of the Project Owner takes place in two stages:
 - 4.9.1. Firstly, it shall be ascertained that the Project Owner meets all the minimum criteria for assessing

reputation (as set out in Clause 4.5.2 of the Regulations). If the Assessor determines that the Project Owner does not meet all of the minimum reputational criteria, the Project Owner's Project may not be published on the Company Platform. Only if the Assessor can be reasonably satisfied that the minimum criteria for assessing reputation have been met in full can the second stage of the reputation assessment be carried out.

- 4.9.2. Secondly, once the Company's employees are satisfied that the minimum reputational assessment criteria are met, additional reputational assessment criteria shall be taken into account, which may affect the Project Owner's final reliability assessment rating, i.e. the Project Owner's final reputational assessment rating (the assigned risk class) may be downgraded in the event of the existence of any of the additional negative reputational assessment factors set out in Annex 2 to the Regulations. The procedure for downgrading the final Project Owner's assessment rating (assigned risk class) shall also be set out in Annex 2 to the Regulations.
- 4.10. In order for Project Owners to republish a Project on the Company's Platform, the Company shall reassess the reputation of the Project Owners in accordance with the procedures set out in these Regulations and without any exceptions.

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

- 5.1. The Company shall use the following in the Project Owner's credit scoring model:
 - 5.1.1. statistical models (e.g. past financial results);
 - 5.1.2. assessment models (e.g. assessment of the business plan and its prospects, assessment of financial forecasts, assessment of reputation);
 - 5.1.3. automated models (e.g. reports generated by Creditinfo).
- 5.2. 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.
- 5.3. Before posting a Project on the Company's Platform, the Company's employees must assess the creditworthiness of the Project Owner.
- 5.4. In assessing the creditworthiness of the Project Owner, the Company's employees must:
 - 5.4.1. collect information about the financial situation of the Project Owner, including information about their obligations;
 - 5.4.2. assess whether the Project Owner's ability to fulfil its financial obligations to the Funders 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 fulfil the obligations assumed under the crowdfunding transaction;
 - 5.4.3. verify that the Project Owner is not subject to bankruptcy or restructuring proceedings (for this purpose, the Company shall refer to the information available in Creditinfo and Scorify databases);
 - 5.4.4. assess the condition, value, degree of collateralisation, liquidity, liquidation value and other relevant parameters of the assets (heavy machinery) to be pledged. If a third party seeks to provide additional security measures (e.g. surety, guarantee) for the Project Owner, the creditworthiness of such person shall be assessed *mutatis mutandis* as the Project Owner;
 - 5.4.5. assess the Project itself, its scope and reasonableness in the activities of the Project Owner;
- 5.5. If the Company's employees, in assessing the creditworthiness of the Project Owner in accordance with Clause 5.4 of the Regulations, determines that the Project Owner's risk is high, the Project Owner would be offered to provide additional security measures.
- 5.6. In order to assess the creditworthiness of the Project Owner, sureties or guarantors (if any) in accordance with Clause 5.4 of these Regulations, the Company's employees, directly or by using the services of third parties (including credit agencies), shall collect, process and rely on information obtained from external databases (State Enterprise Centre of Registers, the Loan Risk Database administered by the Bank of Lithuania, etc.).
- 5.7. In order to assess the creditworthiness of the Project Owner in accordance with Clause 5.4 of these

Regulations, the Company's employees shall also assess the information and confirmations provided by the Project Owner:

- 5.7.1. by filling in a standardised questionnaire prepared by the Company;
 - 5.7.2. by completing the Project Owner's application for a financing transaction;
 - 5.7.3. by responding to other inquiries of the Company's Project Owner, if any.
- 5.8. The following data and information shall be requested from the Project Owner by the Company's employees:
- 5.8.1. The most recent certified audited financial statements of the Project Owner and the guarantor or surety (if any) for the last 3 (three) years of operation, comprising the balance sheet and income statement. If the Project Owner (and the guarantor or surety) does not have audited financial statements, the Company shall require financial statements signed by the Project Owner and the Accountant, as well as Income Tax Returns for the last 3 (three) years of operation;
 - 5.8.2. Project Owner's planned income and cash flows related to the Project to be financed. The Company shall assess the Project Owner's projected revenues and cash flows under (i) the optimistic, (ii) the baseline and (iii) the pessimistic scenarios (with each scenario reducing the projected revenues and cash flows by up to 30%, taking into account the specificities of the particular Project). The Company then averages the income and cash flows projected under all three scenarios and uses the resulting figures to calculate the creditworthiness in accordance with the Company's approved algorithm for calculating the credit scores of Project Owners;
 - 5.8.3. Additional information (in the form prescribed by the Company) with explanations, i.e. descriptions of:
 - (a) Non-current assets;
 - (b) Current assets;
 - (c) Receivables within one year;
 - (d) Non-current liabilities;
 - (e) Current liabilities;
 - (f) Accounts payable within one year;
 - (g) Wear and tear;
 - (h) Part of the loan to be repaid and the interest paid;
 - (i) List of shareholders;
 - 5.8.4. In respect of the property to be mortgaged, an appraisal of the property by the Project Owner and the guarantor or surety (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);
 - 5.8.5. A short business plan or a short plan for the use and repayment of the loan in accordance with the form provided or the information provided by the Project Owner;
 - 5.8.6. If necessary, a statement of the Project Owner's main current account for at least 6 (six) months, unless the Project Owner has been operating for less than 6 (six) months. If the Project Owner has been operating for less than 6 (six) months, a statement of the Project Owner's main current account for the entire period of operation shall be requested. If the guarantor or surety is a natural person, his/her consent to the verification of his/her personal data in external databases must be provided, as well as a statement of his/her main bank account for a period of at least 6 (six) months, unless he/she has been operating for less than 6 (six) months;
 - 5.8.7. Contact details of the Project Owner's manager, guarantor or surety's manager if it is a legal entity, the details of the guarantor or surety (if the guarantor or surety is a natural person) (name, surname, residential address, e-mail, telephone (if any), mobile telephone, position);
 - 5.8.8. Personal identification number/company code and contact details (name, surname, residential address, e-mail, telephone (if any), mobile telephone, position) of each Participant of the Project Owner (contact details, personal identification number and shareholding to be provided).
- 5.9. 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 shall assess according to the collected data:

- 5.9.1. the financial situation of the Project Owner or guarantor (amount of income, sources of income, their diversity, sustainability, profitability, possible future changes, etc.);
 - 5.9.2. the history of the Project Owner or guarantor and information about the current and past improper performance of financial obligations;
 - 5.9.3. present and planned obligations of the Project Owner or guarantor, if the Company knows or needs to know about them;
 - 5.9.4. 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 fulfil financial obligations throughout the contract period.
- 5.10. For the purpose of assessing the creditworthiness of the Company, the possible sources of data to be collected shall be 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 and other official/national databases (e.g. Centre of Registers and their equivalents in other countries) / independent property appraiser
If the Project Owner (and/or a third party guarantor) is a natural person – an entrepreneur, documents substantiating 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 the circumstances currently known (or suspected) to have a negative impact on the Project	Project Owner

Owner's financial performance or future performance	
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- 5.11. The Company shall update the information on the security measures pledged to secure the loan (i.e., require the Project Owner (or a third party if the third party is pledging security measures for the Project Owner's obligations) to provide an updated valuation of the security measures), if necessary, and for reasonable grounds to believe that the value of the security measures securing the loan may have changed or may change. In the same way, the Company shall also be obliged to update information on persons who have provided other forms of security for the Project Owner's obligations (e.g. a surety bond, a promissory note, a guarantee, etc.).
- 5.12. Where assets are pledged to secure the Project Owner's obligations, the Company shall require the Project Owner to provide an appraisal of the assets by an independent appraiser in accordance with the procedure established by law, containing at least the following information:
 - 5.12.1. In the case of financial assets, the last current price and the average price over the last 12 (twelve) months on a liquid market;
 - 5.12.2. In the case of physical collateral, the last available market value;
- 5.13. The Company shall use its best endeavours to satisfy itself that there is a market for the pledged assets that is readily available for liquidation, and to assess any possible deviations in the value of the pledged assets.
- 5.14. The Company shall 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 shall also ensure that the property is pledged for the entire duration of the loan agreement until the Project Owner duly fulfils the obligations.
- 5.15. Where the Project Owner's obligations are secured or guaranteed by a third party, the Company must identify such third party and assess its creditworthiness and reliability (as well as that of the Project Owner) in accordance with the procedures set out in these Regulations, thereby determining whether it will be possible to recover the amount of the loan from the relevant third party in the event of a default by the Project Owner and, in turn, whether the relevant third party will have sufficient assets to cover the Project Owner's obligations.
- 5.16. 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.
- 5.17. The Company shall individually assess each Project Owner, guarantors or sureties, security measures (if any) and the creditworthiness assessment shall be carried out expertly.

6. PROJECT CREDIT RISK LEVELS

- 6.1. After gathering the necessary information, the Company shall individually assess each Project Owner, the persons securing the Project Owner's obligations, and the security measures (if any). Creditworthiness assessment shall be performed in accordance with the assessment methodology adopted in these Regulations. The Company's employees must ensure the objectivity of the creditworthiness assessment, i.e. that each Project Owner is assessed according to the same assessment criteria and standards adopted in the Regulations.
- 6.2. During the creditworthiness assessment, the Company seeks to assess the probability of the funder's loss. The Company shall categorise the credit risk of Project Owners according to the following ratings:
 - 6.2.1. A+ (lowest risk);
 - 6.2.2. A (very low risk);
 - 6.2.3. B+ (low risk);
 - 6.2.4. B (lower than medium risk);
 - 6.2.5. C+ (medium risk);
 - 6.2.6. C (above average risk);

- 6.2.7. D (too high risk).
- 6.3. Project Owners shall be assigned a credit risk rating based on an assessment of available criteria such as:
- 6.3.1. Period of the Project Owner's operations;
 - 6.3.2. Ratio of the amount of the loan to the amount of existing liabilities to income;
 - 6.3.3. Change in revenue (for a full financial year compared to an earlier financial year);
 - 6.3.4. Earnings before interest taxes depreciation and amortisation (EBITDA);
 - 6.3.5. Net income;
 - 6.3.6. Equity ratio (equity/assets);
 - 6.3.7. Current ratio (current assets/current liabilities);
 - 6.3.8. History of commitments of Project Owner;
 - 6.3.9. Information on the sector in which the Project Owner operates (including macroeconomic conditions and competition);
 - 6.3.10. information on business plan;
 - 6.3.11. projected profitability of the Project;
 - 6.3.12. projected cash flows of the Project Owner;
 - 6.3.13. knowledge and experience of the Project Owner in the relevant business sector;
 - 6.3.14. Return on Equity – RoE;
 - 6.3.15. Return on Assets – RoA;
 - 6.3.16. Net Profit Margin – NPM;
 - 6.3.17. Sales to Total Assets – STA;
 - 6.3.18. Debt to Equity Ratio – DER;
 - 6.3.19. Debt Ratio – DR;
 - 6.3.20. Debt Yield – DY;
 - 6.3.21. Loan to Value – LV;
 - 6.3.22. Interest Coverage Ratio – ICR;
 - 6.3.23. Debt Service Coverage Ratio – DSCR;
 - 6.3.24. Cash Flow to Debt Ratio;
 - 6.3.25. Cash Ratio – CR;
 - 6.3.26. Net Working Capital to Total Assets – NWCTA;
 - 6.3.27. Capitalisation Rate – CR;
 - 6.3.28. Profit Yield.
- 6.4. The Company's employees shall evaluate the available criteria referred to in Clause 6.3 of the Regulations and the weightings assigned thereto. In assessing such criteria, the Company's employees shall use the procedure for the calculation of the Project Owners' credit score (Annex 2 to the Regulations) (hereinafter referred to as the **Project Owners' Credit Score Calculation Procedure**), which provides an algorithm for the calculation of the final credit score. A description of the relevant calculation shall also be made publicly available on the Platform for all interested parties to consult.
- 6.5. In addition to the criteria set out in Clause 6.3 of these Regulations, the Company may, on a case-by-case basis, also assess other information that may be relevant and important for the assessment of the Project Owner's level of credit risk.

Additional information shall be assessed in accordance with the Project Owners' Credit Score Calculation Procedure. In such a case, the Company's employees shall detail the additional circumstances and their impact on the Project Owner's creditworthiness in the Project Owner's Creditworthiness Assessment Form (which shall be submitted together with the Project Owners' Credit Score Calculation Procedure).

- 6.6. Following the creditworthiness assessment of the Project Owner, a final credit score shall be calculated and the Company shall assign to the Project Owner one of the ratings provided for in Clause 6.2 of the Regulations (in accordance with the Credit Score Calculation Procedure):
 - 6.6.1. If the final credit score is equal to or greater than 9, **an A+ (lowest risk) rating shall be assigned;**
 - 6.6.2. If the final credit score is between 8 (inclusive) and 9, **an A (very low risk) rating shall be assigned;**
 - 6.6.3. If the final credit score is between 7 (inclusive) and 8, **a B+ (low risk) rating shall be assigned;**
 - 6.6.4. If the final credit score is between 6 (inclusive) and 7, **a B (lower than medium risk) rating shall be assigned;**
 - 6.6.5. If the final credit score is between 5 (inclusive) and 6, **a C+ (medium risk) rating shall be assigned;**
 - 6.6.6. If the final credit score is between 4 (inclusive) and 5, **a C (above-medium risk) rating shall be assigned;**
 - 6.6.7. If the final credit score is below 4, **a D (too high risk) rating shall be assigned.**
- 6.7. A Project cannot be published on the Platform if the Project Owner has a credit rating of D.
- 6.8. The credit rating of the Project Owner shall not affect the maximum loan amount to be granted to the Project Owner or the term of the loan agreement.
- 6.9. In all cases, Projects published on the Platform must comply with all of the following requirements:
 - 6.9.1. The maximum LTV ratio of the amount of financing to be obtained **may not exceed 100%**. (This Clause shall not apply to loans up to EUR 25,000).
 - 6.9.2. The maximum duration of the loan agreement is **120 (one hundred and twenty) months**.
 - 6.9.3. The Project Owner's creditworthiness is between A+ and C.
 - 6.9.4. A maximum amount financed may be **up to EUR 8 million**.
 - 6.9.5. The Project Owner (and the person providing the security measures, if any) is not **(and there is no reasonable indication that it may be) subject to bankruptcy or restructuring proceedings**.
- 6.10. If the Project Owner's reputation is assessed negatively (the Minimum Reputation Requirements are not met), notwithstanding the positive assessment of the Project Owner's creditworthiness indicators, the Project Owner's creditworthiness risk shall immediately be assessed as too high and the relevant Project shall not be published on the Platform.
- 6.11. The Project Owner's credit assessment shall be carried out by the Project Owner's credit assessment officer using the Project Owner's credit assessment form provided with the Credit Score Calculation Procedure. The Creditworthiness Assessment Form for Project Owners completed and signed by the responsible employee, together with the supporting documents and data (sources), shall be retained within the terms set out in Clause 6.22 of these Regulations.
- 6.12. In the event that the Project Owners are given the opportunity to substitute pledged assets and/or modify other security measures during the course of the Project, the Company shall ensure that the relevant assets and/or other security measures provided are not of a lesser value than the Project Owner's previous commitments and/or security measures provided. In all cases, no such changes to the security measures and/or other security instruments may be made if they would result in a lower credit rating for the Project Owner.
- 6.13. In the course of its ongoing monitoring of all Project Owners and Projects and loans as set out in Section 3, the Company shall also have the right to request the Project Owner once every one year (or more frequently if the Project Owner is in default or is likely to default) to indicate to the Project Owner whether there are any new circumstances that may have a material impact on the creditworthiness of the surety

(or the guarantor), such as, whether the assets of such person have been seized, whether such person has been made a defendant in a legal proceeding, whether the creditors of such person have made any claims against it for non-performance or improper performance of its obligations, whether such person is not the subject of bankruptcy proceedings or restructuring proceedings, etc.).

- 6.14. If the Company receives from the Project Owner or other sources any information referred to in Clause 6.136.13 that may materially affect the creditworthiness of the surety/guarantor, the Company shall reassess the surety/guarantor. If, during the reassessment, the creditworthiness risk of the surety/guarantor deteriorates, the Company may require additional surety/guarantee or other security measures from the Project Owner.
- 6.15. 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 shall additionally gather publicly available information on the real property proposed for pledge (its location, condition, use, etc.) and shall 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.
- 6.16. The Company must also ensure that the valuation of the collateral takes at least the following information into account:
 - 6.16.1. The term of the collateral;
 - 6.16.2. The last known market value;
 - 6.16.3. Whether there is a market where the asset can be easily realised;
 - 6.16.4. The level of volatility in asset values;
 - 6.16.5. The assumptions used to determine the value of the asset;
 - 6.16.6. The frequency with which the value of the asset can be readily determined, including professional valuation.
- 6.17. Each mortgaged property must meet at least the following minimum conditions:
 - 6.17.1. Such real property is not mortgaged in favour of a third party;
 - 6.17.2. The mortgaged real property has been appraised by independent appraisers;
 - 6.17.3. The mortgaged immovable property must be insured for the benefit of the Company for the full term of the loan.
- 6.18. In the course of the ongoing monitoring of all Project Owners and Projects and loans as set out in Section 3, the Company shall also have the right to request the Project Owner to indicate, once every one year (or more frequently if the Project Owner is in default or is likely to default), whether there are any new circumstances that may have a material impact on the value of the mortgaged real property and/or the ability to satisfy claims against such mortgaged real property (e.g, the condition of the mortgaged immovable property has significantly deteriorated, the mortgaged immovable property has been damaged or lost, the insurance of the mortgaged immovable property has expired or is otherwise invalid).
- 6.19. If the Company receives from the Project Owner or other sources information as referred to in Clause 6.18 above about the occurrence of new circumstances that may have a material impact on the value of the mortgaged immovable property and/or the ability to satisfy claims against such mortgaged immovable property, the Company shall have the right to require the Project Owner to provide a new appraisal report on the mortgaged immovable property and/or to submit additional collateral.
 - 6.20. The Company's employees shall also access available registers in order to assess information on the financial health and ability to meet financial obligations of the Project Owner (and of the third party providing the security, if any). The Company shall conclude agreements with the State Enterprise Centre of Registers for access to the Register of Legal Entities, the Information System of Participants of Legal Entities, the Mortgage Register, the Real Property Register, the Population Register, the Register of Property Seizure Acts, as well as with UAB Creditinfo Lietuva for access to the Creditinfo credit bureau system, and with UAB Scorify for access to the Scorify credit bureau system (the Company shall also acquire access to other registries, as necessary and feasible). The Company's employee shall assess the credibility of the Project Owner (and the person providing the guarantee, surety or other similar security measure, if any) from reliable data:
 - 6.20.1. financial situation: level of income, sources of income, diversity of income, sustainability,

- profitability, possible future changes;
- 6.20.2. track record and information on current and past defaults on financial liabilities;
 - 6.20.3. current and projected liabilities (if the Company is aware or should be aware);
 - 6.20.4. impact of known circumstances on the Project Owner's economic and financial situation and the Project Owner's ability to adequately meet its financial liabilities throughout the life of the loan agreement.
- 6.21. In addition, the Company shall, when assessing a guarantee, surety or other similar security measure, evaluate and verify and ensure that it takes into account:
- 6.21.1. the identity of the person providing the guarantee, surety or other similar security measure;
 - 6.21.2. the type of guarantee, surety or other similar security measure;
 - 6.21.3. the enforceability/executability of a guarantee, surety or other similar security measure;
 - 6.21.4. the level of protection afforded by a guarantee, surety or other similar security measure;
 - 6.21.5. the amount that the provider of the guarantee, surety or other similar security measure has undertaken to pay/ensure to pay in the event of default by the Project Owner.
- 6.22. The Company shall ensure that each credit assessment is properly documented. All documentation related to the assessment of Project Owners shall be kept for a period of 10 years from the date of receipt, unless other legal acts regulating the legal protection of personal data and the retention of documents provide for a longer retention period.
- 6.23. Having carried out the assessment of the creditworthiness of the Project Owner and having made a positive decision on the publication of the Project on the Platform, the Company shall disclose to investors at least the following information:
- 6.23.1. the credit rating of the Project Owner;
 - 6.23.2. a clear description and details of how the creditworthiness assessment of the Project Owner was carried out;
 - 6.23.3. probability of default of the Project Owner.
- 6.24. 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.

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

- 7.1. The cost of a loan to a Project Owner seeking financing on the Platform shall be determined taking into account the following criteria: (i) the credit risk; (ii) the term of the loan; (iii) the principal amount of the loan; and (iv) the repayment term structure of the loan. Below, the Company provides an explanation of how these elements are assessed in determining the price of the loan to the Project Owner.
- 7.2. First, when calculating the loan price, the Company shall 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:

Credit rating/loan term	6 months	12 months	18 months	24 months	30 months	36 months	48 months
A+ (lowest risk) rating	7.00%	7.50%	8.00%	8.50%	9.00%	9.50%	10.00%
A (very low risk) rating	8.00%	8.50%	9.00%	9.50%	10.00%	10.50%	11.00%

B+ (low risk) rating	9.00%	9.50%	10.00%	10.50%	11.00%	11.50%	12.00%
B (high risk) rating	10.00%	10.50%	11.00%	11.50%	12.00%	12.50%	13.00%
C+ (medium risk);	12.00%	12.50%	13.00%	13.50%	14.00%	14.50%	15.00%
C (above average risk);	14.50%	15.00%	15.50%	16.00%	16.50%	17.00%	17.50%
D (too high risk) rating	-	-	-	-	-	-	-

- 7.3. Second, the Company shall take into account the principal amount of the loan and may add additional interest to the above-mentioned base rate (taking into account also the credit rating) as indicated in the table below:

	Principal amount of the loan, EUR			
Creditworthiness risk (rating)	Up to 50,000	From 50,000 Up to 100,000	From 100,000 Up to 200,000	From 200,000
A+ (lowest risk) rating	+0%	+0.1%	+0.2%	+0.3%
A (very low risk) rating	+0.1%	+0.2%	+0.3%	+0.4%
B+ (low risk) rating	+0.3%	+0.4%	+0.5%	+0.6%
B (high risk) rating	+0.4%	+0.5%	+0.6%	+0.7%
C+ (medium risk);	+0.6%	+0.7%	+0.8%	+0.9%
C (high risk) rating	+0.7%	+0.8%	+0.9%	+1%
D (too high risk) rating	-	-	-	-

- 7.4. Third, the Company shall also take into account the time structure of the loan repayments. The Company has essentially two methods of structuring the repayment of the loan: (i) the loan may be repaid in equal periodic instalments (e.g. on a monthly basis) or (ii) the principal amount of the loan may be repaid at the end of the loan term. In applying the second approach, the Company assumes that various circumstances (including economic changes) may arise during the term of the loan that create an additional risk that the Project Owner will not be able to adequately meet its obligations. Accordingly, under the second approach, the Company adds 0.5% interest to the calculation of the cost of the loan.

- 7.5. It should be noted that the provisions of the Regulation and its implementing legislation also provide for the possibility to take into account other criteria when calculating the cost of a loan, including (i) a risk-free rate of return;
(ii) the existence of security measures; (iv) fees associated with the services provided by the Company;
(v) other risks associated with the Project and/or the Project Owner (including but not limited to market conditions at the time of loan origination, the business strategy, the value of the loan).
- 7.6. 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 borne 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 security measures is assessed in the determination of the Project Owner's credit rating and is therefore implicitly included in the loan pricing system. Other risks related to the Project and/or the Project Owner shall be assessed when this is relevant, therefore, the Company, as provided for in Clause 7.7 of these Regulations, may deviate from the general pricing of the loan and other conditions set out above. Such risks could include, for example:
- 7.6.1. 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;
- 7.6.2. 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;
- 7.6.3. the financial situation of the Project Owner is good, the Project perspectives are also realistic, but the Project Owner has no experience in implementing analogous or similar Projects, etc.
- 7.7. The Company shall 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.).
- 7.8. The criteria for pricing and other terms and conditions of a loan set out in the above Regulations are generic and the Company has the right to deviate from these procedures in individual cases and to apply individual pricing and other terms and conditions of a loan. 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.
- 7.9. In order to ensure that the loan price applied to the Project Owner is fair, the Company shall, inter alia, take into account and assess the following circumstances:
- 7.9.1. creditworthiness risk rating;
- 7.9.2. net present value of the loan:
- (a) principal amount of the loan;
- (b) maturity of the loan;
- (c) frequency of loan instalments;
- (d) appropriate interest rate to discount future repayments;
- 7.9.3. prevailing market conditions at the time of granting the loan and during the period of validity of the loan;
- 7.9.4. Project Owner's business strategy.
- 7.10. As the Company will determine the cost of the loan, the Company will also perform a valuation of each loan in at least the following circumstances:
- 7.10.1. At the time of the loan disbursement, taking into account adequate and up-to-date information on the Project Owner and the loan, and ensuring that the relevant valuation is no more than 3 months prior to the loan disbursement date. The Company shall also assess the following criteria:
- (a) maturity of the loan;

- (b) frequency of payments and expected cash flows;
 - (c) any ability to make prepayments under the loan agreement;
 - (d) interest rate;
 - (e) likelihood that the Project Owner will default on its obligations;
 - (f) value of the security measures;
 - (g) expected losses.
- 7.10.2. where, in the Company's judgement, it is unlikely that the Project Owner will be able to meet its obligations to repay the loan in full, and the Company does not take any appropriate enforcement or other similar action;
- 7.10.3. in case of default. In such a case, the Company shall take into account the conservative value of the security measures and the costs/expenses related to the recovery of the debt;
- 7.10.4. when the Company assists the lender to exit before the maturity date of the loan.

8. ASSESSMENT PROCESS FOR EACH LOAN

- 8.1. The Company shall carry out an assessment of each loan at least in the following circumstances:
- 8.1.1. at the moment of granting the loan;
 - 8.1.2. 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;
 - 8.1.3. in the event of default of the Project Owner;
 - 8.1.4. when the Companies help the investor to withdraw before the maturity date of the loan.
- 8.2. The Company shall ensure that the assessment of the loan provided for in Clause 8.1 of these Regulations 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).
- 8.3. At the time of granting the loan, the Company shall take into account at least the following criteria / circumstances when performing the loan assessment:
- 8.3.1. maturity of the loan;
 - 8.3.2. frequency/periodicity of loan instalments (payment schedule) and expected cash flows;
 - 8.3.3. any prepayment option provided for in the loan agreement;
 - 8.3.4. the risk-free interest rate for discounting the payments on the loan;
 - 8.3.5. the interest rate provided for in the loan agreement;
 - 8.3.6. the likelihood of default of the Project Owner;
 - 8.3.7. the value of the collateral (if applicable);
 - 8.3.8. the existence of guarantees and the level at which they ensure the fulfilment of the obligations.
- 8.4. During the assessment of the loan after the issue of the loan, the Company shall, in addition to the criteria provided for in Clause 8.3 of these Regulations, take into account:
- 8.4.1. the remaining maturity of the loan (until the end of the loan agreement);
 - 8.4.2. the likelihood of possible losses.
- 8.5. When performing the loan assessment in the case provided for in Clause 8.1.3 of these Regulations, the Company shall take into account the following criteria:
- 8.5.1. conservative assessment of collateral and/or guarantee;
 - 8.5.2. other charges and costs related to debt recovery.

- 8.6. The Company shall establish and approve a loan assessment algorithm for the purposes of this section of the Regulations, which shall 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.

9. VERIFICATION OF THE PROJECT OWNER'S RELIABILITY ASSESSMENT PROCESS

- 9.1. In order to ensure that the reliability of the Project Owner is properly assessed and human errors are eliminated as much as possible (e.g. when calculating the credit score), the Company shall implement the following measures:

9.1.1. **A standardised procedure shall be used to calculate the Project Owners' credit score.** (Annex 2);

9.1.2. **The 'four-eye' principle is implemented.** After the employees of the Company have calculated the credit 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 shall be submitted to another employee of the Company appointed by the Manager. The latter carries out a verification of the calculations and assessments submitted to him/her (including ensuring that the credit 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 shall transfer them to the original Assessor for correction (the correction is followed by a re-examination procedure); The 'four-eye' principle shall also apply *mutatis mutandis* to the verification of the assessment of the Project Owner's reputation.

- 9.2. The Company's Project Owner reliability assessment model shall be reviewed and, if necessary, modified by the Company's Chief Risk Officer at least once a year.

10. REFUSAL TO PUBLISH A PROJECT

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

10.1.1. the Project Owner does not meet the Company's approved criteria for assessing the reputation and creditworthiness of Project Owners; and/or

10.1.2. the Company lacks information to carry out the assessments described in the Regulations; and/or

10.1.3. the risk is determined to be too high (D rating); and/or

10.1.4. 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 funders.

11. INTEGRATION OF SUSTAINABILITY RISKS

- 11.1. 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, 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.

- 11.2. 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.

- 11.3. The Company considers that the impact of sustainability risk is consistent with the impact of general investment risks (including market, credit, 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.

- 11.4. In addition, it should be noted that in order to contribute to the well-being of society, to promote stewardship, to encourage the pursuit of long-term goals, and to ensure that environmental responsibility is integrated into all aspects of the Company's activities, the Company takes into account the criteria set out in the Environmental, Social and Governance Policy (ESG Policy) in its business activities, e.g., by setting the price of the loan.

12. FINAL PROVISIONS

- 12.1. These Regulations shall come into force from the date of their approval and may be amended or repealed only by order of the CEO of the Company. In the event of a change to these Regulations, the latest version of these Regulations shall also be published on the Platform (with the exception of the Annexes to the Regulations).
- 12.2. The Manager shall be responsible for the implementation and observance of these Regulations.
- 12.3. Every employee of the Company must be duly informed of these Regulations against signature.
- 12.4. The Manager or his/her delegate must periodically, but at least annually, review the effectiveness of the requirements for assessing the credibility of Project Owners as set out in these Regulations. In carrying out these functions, the CEO or his/her delegate must at least:
 - 12.4.1. periodically review the provisions of these Regulations, suggest ways to improve them, and ensure their compatibility with other internal documents of the Company and applicable legislation;
 - 12.4.2. inform the Company's employees about the new procedures introduced by the Company and advise them on the procedures for implementing specific provisions of the Regulations;
 - 12.4.3. keep abreast of developments in the legal framework and, where necessary, promptly initiate adjustments to the Regulations to take account of changes in legislation.

12.4.4.

Annex 1 to the
Regulations for the Assessment of the Reliability of Project Owners of UAB
Heavy Finance

PROJECT OWNER'S REPUTATION ASSESSMENT QUESTIONNAIRE	
[...] (day) [...] (month) 20[...]	
Name, legal form and code of the legal entity; <i>or</i> Name, surname, personal identification number of the natural person (entrepreneur), basis of commercial activity (e.g. registered individual activities, etc.)	
Legal form, name, code / name, surname, code, basis of commercial activity	
1. Have you or a company you control (controlled) or a company of which you are (have been) a director in the last 10 years:	
1.1. have been convicted of a serious or very serious criminal offence, or of a criminal offence or misdemeanour 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 offences corresponding to these offences, in accordance with the criminal laws of other countries?	
Yes <input type="checkbox"/>	No <input type="checkbox"/>
1.2. have been the subject of a trial (accused) for committed criminal act and/or sentenced for criminal act, not mentioned in Clause 1.1, under criminal laws of the Republic of Lithuania or foreign country?	
Yes <input type="checkbox"/>	No <input type="checkbox"/>
1.3. have been the subject of any administrative or disciplinary penalties or other sanctions or measures imposed by law	
Yes <input type="checkbox"/>	No <input type="checkbox"/>
1.4. 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 <input type="checkbox"/>	No <input type="checkbox"/>
1.5. have been suspects in a pre-trial investigation?	

Yes <input type="checkbox"/>	No <input type="checkbox"/>
1.6. 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 <input type="checkbox"/>	No <input type="checkbox"/>
2. Do you currently have outstanding debt liabilities?	
Yes <input type="checkbox"/> <i>(please provide details of all existing liabilities in the table below, indicating the amount of each liability in EUR)</i>	No <input type="checkbox"/>
3. Are there any other circumstances that have/may have an impact on the assessment of your financial credibility?	
Yes <input type="checkbox"/> <i>(please provide information on these circumstances in the table below)</i>	No <input type="checkbox"/>
4. If you answered yes to one or more of questions 1 – 3, please describe the essential background, including the dates of the event and the relevant decisions.	
<p>The Project Owner hereby confirms that all the above-mentioned information is complete and correct. Providing incorrect information may be subject to legal liability.</p> <p>The Project Owner undertakes to immediately provide details in writing of any changes to the above-mentioned information.</p>	
Person completing the form:	
<i>position, name, surname</i>	<i>signature</i>