1. Risk Exposure

1.1. Investing with the Provider's support poses risks to Investors, including the risk of liquidity/ illiquidity, a risk of failure to pay out dividends/share in the profits, loss of investment, investment dilution, and it should be done only as part of the Investor's diversified investment portfolio. The Crowdberry Service is intended for Investors, who must be knowledgeable enough to be able to recognise, understand and assess such risks, and make investment decisions knowingly and freely on the basis of their knowledge, experience and financial capacity, do so on their own responsibility and at their own risk. The Provider reserves the right to verify Investor's trustworthiness, experience and knowledge regarding private investing, as well as the financial capacity of potential Investors to ensure that Crowdberry Service be used by appropriate persons. However, the Provider does not under any circumstances evaluate suitability of any Investment for an Investor. Anybody who uses the Webpage or Crowdberry Services acknowledges and agrees to the following warning with regard to risks (Clauses 3.1.1. – 3.1.9.):

1.1.1. <u>Total Loss of financial investment</u>: The majority of companies seeking external investments in initial stages (so-called start-ups) fail after certain time. Where an Investor invests money into such companies, they are more likely to lose the money than have the money appreciated. Although the companies in later stages of development (segment of small and medium enterprises) are statistically less likely to fail, there nevertheless exists a risk of losing all invested money. An Investor is under an obligation to take that into account when making decisions on investments. An Investor should not invest more money than they can afford to lose without having to change their living standard. **We expressly do not recommend anybody to invest borrowed money**.

1.1.2. <u>Investment risk:</u> It is a must for an Investor to take into account that **the value of investments into a Company fluctuates and their appreciation cannot be guaranteed whatsoever**. The value of investments and yield therefrom may fall down and there is no guarantee whatsoever that an Investor will have their investments or their part returned. Any investment into a Company should be viewed as a long-term illiquid investment. Investors' claims against Companies are unsecured and are inferior to claims by all the creditors. The value of investment, its appreciation and return on it, as well as a success or failure of companies depend on many variables, of which many are specific to the given investment and business, but many are external in nature. Investor's ability to sell their share in a Company shall depend on the will of a potential interested party to purchase the respective share at an acceptable price. An Investor may find it difficult to find such a buyer.

1.1.3. <u>Illiquidity (the inability to cash in an investment in a short time without a loss in its value):</u> **All investments made via Crowdberry are highly illiquid**. There is only a very limited secondary market for shares in Companies – start-ups. This means that it is unlikely that an Investor is able to sell their shares in such Companies until the time the Company is bought by another company or is quoted. Even in case of successful Companies – start-ups it may take years before they are quoted or bought by another company and the said investment is appreciated. While the liquidity of shares in the segment of small and medium enterprises and real estate projects is higher in comparison with startups, it is nevertheless significantly restricted.

1.1.4. Restricted transferability: <u>Direct or indirect shares of Companies, which Investors acquire, typically have restricted transferability, which normally means that transfers of Investors' shares require the consent of majority of other shareholders of a given Company (consent of the general assembly of a Company). Moreover, other shareholders of a Company typically have the right of first refusal of Investor's share(s) in the case that Investor plans to sell their share to a third party.</u>

1.1.5. Applicable mostly on start-ups: Rare payout of share in the profits: **Companies – start-ups – rarely pay out dividends (share in the profits), since they need capital to get going**. This means that when an Investor invests into such Companies, it is unlikely that they get any return or gain any profit until the time they sell their share, even if the Company is a success. Even in case of highly successful Companies it may take years before they pay out first dividends /share in the profits. Although there are no guarantees that small and medium enterprises (SME) and real estate projects would pay out dividends or share in profits, the likelihood of such an event is considered to be higher than in the case of startups.

1.1.6. Applicable mostly on start-ups: Missing history of Companies on offer: It is in the very nature of Companies – start-ups – that they have none or very brief history of operations, on the basis of which a likely development could be forecast. SMEs would normally have a longer track record of their past performance.

1.1.7. Past performance and forecasts are not indicative of future performance: Nobody should rely on past performance as an indicator or guarantee of future performance. **Forecasts are not a reliable indicator of future performance.**

1.1.8. Applicable mostly on start-ups: Dependency on executives/board of directors: **The majority of Companies – start-ups – depend on people who initiated them and who subsequently become (or remain to be) their executives or directors**. Success of such Companies depends largely on their staying in the Company – start-up and on their motivation.

1.1.9. Dilution (reduction of share in the equity at an additional increase in the equity capital): **Investment made by an Investor via Crowdberry may be potentially diluted**. This means that when a Company later seeks to raise additional funding, its equity may increase due to the assumption of a liability arising from a new deposit /the subscription of shares by a new investor, and by that token the Investor’s share in the Company equity capital will drop in percentage terms, although the size of a business share in absolute terms may rise. Any similar increase in equity shall be subject to a vote by partners in line with the Company’s Deed of Association /Statutes and Partners’/Shareholders’ Agreement. These new interest/shares may carry with them preferential rights relating to a share in the profits /dividends, pre-emptive right and other preferential entitlements. Investment may be diluted also in case that options (the right to acquire an interest/shares) are granted to Company’s employees or other related persons.

1.1.10. Diversification: **Investment into a Company should be a part of an experienced investor’s diversified portfolio**. This means that an Investor should invest only small amounts into several Companies rather than larger amounts into one or two Companies. At the same time, Investments into a Company, taken as a class of somebody’s assets, should only account for a small portion of their overall investment and invested capital, with a major part of invested capital being held in safer and more liquid assets.