



## Conversion of a Leapfunder Note

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- You have invested in a startup via a Leapfunder Note. Now a Qualifying Event has triggered conversion. What will happen next?
- One of the following Qualifying Events has occurred:
  - An investor invests > €100k in cash in new shares
  - The startup is acquired or there is some other change of control
  - The final conversion date is reached. The date can be found in the information memorandum
- What does this mean for my investment:
  - Currently you have a Leapfunder Note
  - When a Qualifying Event occurs the Leapfunder Note will be turned into shares in a Special Purpose Vehicle (“SPV”). Unless the investor and the startup both prefer cash repayment, which is possible but is rare
- The mechanics of conversion:
  - The CEO calculates the conversion equivalents of the Leapfunder Notes
  - A notary assigned to the round during the original transaction handles the creation of the Special Purpose Vehicle.
  - After creation the Special Purpose Vehicle will issue the required SPV Shares to you: these correspond to underlying company shares
  - In some jurisdictions investors may need to visit their own notary for identification, to enjoy the full rights attaching to the SPV Shares
- How is the calculation made:
  - You will be awarded a percentage of shares in the startup
  - The amount depends on the total amount you have invested, the interest which has been accumulated over time, the size of the discount and if the cap has been triggered
  - If the valuation of the startup is higher than the cap, the percentage of shares are calculated based on the cap. If the cap is not triggered, then the share valuation used at the Qualifying Event will be used to calculate your percentage
- What if something remains unclear?
  - Sometimes the share price is not clear from a Qualifying Event. For example when the final conversion date is reached without any investment. In this case:
    - Contact Leapfunder: you will need to settle on the conversion price in a Leapfunder Note investor meeting. If you can't agree a price we will bring in an independent expert for a valuation. We will guide you through the process