



Electing a representative for your Leapfunder Special Purpose Vehicle (“SPV”)

- You have a Leapfunder Special Purpose Vehicle (“SPV”) that holds a proportion of your shares
- The start-up can set the *board members* for the Special Purpose Vehicle:
 - The board predominantly has an administrative function. It is responsible for organizing the formal investor meetings, producing minutes of meetings, and distributing any cash proceeds from the shares. By controlling the composition of the formal board the startup can safeguard the adequate administration of the Special Purpose Vehicle.
- The investors in this Special Purpose Vehicle have the possibility to elect a *representative*:
 - Having an elected investor representative brings a clear advantage: this representative gives the investors a clear voice in shareholders’ meetings, or negotiations
- What rights does an elected investor representative have:
 - In principle the rights and mandate of the representative are agreed on during their election. Typically the elected mandate will include:
 - The right to vote in the shareholders’ meeting of the startup, on behalf of the Special Purpose Vehicle
 - The right to represent the SPV investors in negotiations with new investors, or during an exit
 - The mandate is always limited. Limitations include:
 - The election is for max 1 year
 - The representative always has to go back to all investors to seek an approval vote if he/she wants to: sell shares, sign a shareholders’ agreement, vote on a take-over, or vote on the appointment of a dedicated non-executive, and whenever the representative might have a conflicting interest
- How does the election work:
 - An election has to be organized if 10% of the investors ask for one
 - The election will be organized by the board of the SPV: they will call for the election with at least 10 days notice
 - During elections a >50% majority is enough. If no candidate has >50% then the least favored candidate withdraws and a next round is held with the remaining candidates. This goes on until someone gets >50% of the votes cast
 - On the initiative of 20% of investors, the elected representative can be forced to submit all his actions to a vote with the remaining investors. The representative will now be forced to split the votes of the SPV in any shareholders’ meeting in just the same way as the vote was split amongst investors within in the Special Purpose Vehicle