



## Running your Leapfunder Special Purpose Vehicle ("SPV")



- You have a Leapfunder Special Purpose Vehicle ("SPV") that holds a proportion of your shares
- The start-up sets 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.
  - Usually the board of the SPV is just formed by the startup itself, or by someone from the board of the startup. (In Germany the startup itself is the General Partner = the board for the purpose of this manual.)
- Because the board of the SPV is set by the startup it is normal that this board has a conflict of interest: this board cannot represent the interests of the investors fully objectively in many cases. For this reason the board of the SPV needs to confer with the investors themselves for any substantial actions
  - You can hold a formal meeting with the investors via an online meeting tool. There is no need to hold these meetings in person.
  - In general only investors actually participating in the meetings are taken into the denominator for a vote. So even if the turnout is small you can still have a sufficient majority for a decision
  - Decisions that explicitly require approval in a meeting of investors are:
    - voting with the SPV's startup shares on a 'change of control'
    - selling the SPV's shares
    - signing a shareholders' agreement
    - voting with the SPV's shares on the appointment of a dedicated non-executive
    - any decisions in which the SPV board might have a conflicting interest
    - changing the terms of the SPV itself
    - whenever the SPV board wants to have investors vote
  - The investors in a Leapfunder Special Purpose Vehicle also have the possibility to elect a direct *representative*: there is a separate manual on how to elect this representative. (This representative still has to get approval from the other investors for the decisions listed above.)
  - If your SPV doesn't have an elected representative the SPV needs to call a meeting of investors online before *voting in a shareholder's meeting* of the startup. That's to avoid a situation where the startup can use the SPV's shares to vote at its own meeting: it has to be the investors in the SPV that control voting with the startup's shares
  - Normally a >50% of the votes is sufficient for a motion to pass. You need >75% to change the terms of the SPV itself. For a sale of the SPV shares you also need >75%, unless you can prove the offered price is a realistic market price, in which case it is >50%.