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Structuring Co-GP Agreements in the Corporate Venture Capital Landscape

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Introduction

Corporate venture capital (CVC) has become a powerful tool for driving tech innovation and business growth. For CVC funds looking to sponsor an investment fund, co-general partner (GP) arrangements are increasingly popular due to their collaborative potential and strategic advantages. This article provides an overview of co-GP structuring options, highlighting the practical legal considerations CVC funds should account for when exploring this route.

Collaborative partnerships

As synergies between co-GP parties can enhance a fund's capabilities and performance, sharing responsibilities is a critical feature of co-GP arrangements in a CVC context. This sharing often occurs between a corporate sponsor and a professional fund manager or sometimes between two corporate sponsors (e.g., in the form of a joint venture).

A corporate sponsor typically brings an industry-specific network, insights and resources, such as tech expertise, to the fund. A professional fund manager, meanwhile, is often tasked with sector-specific deal sourcing, investment diligence and portfolio management. Sometimes co-GP arrangements involve joint contributions to a fund's investment strategy and priorities, decision-making processes, operational oversight and risk control. Effective co-GP arrangements enable the parties to leverage each other's strengths while maintaining accountability and delineation of roles.

Co-GP structuring models

In practice, we often encounter the following four GP-level structuring alternatives: sole corporate sponsor, venture partner, joint venture and independent advisor. Each model offers distinct features in terms of ownership percentage, control over portfolio investments, risk allocation and collaboration dynamics. The below chart provides a comparative analysis of these options, including their benefits and drawbacks, to support informed decision-making by a CVC fund (referred to as a "corporate sponsor" in the chart) when it considers partnering with a third party (an "industry player") to manage an investment fund.

Structuring alternatives	**Model #1:Sole corporate sponsor**	**Model #2:Venture partner**	**Model #3:Joint venture**	**Model #4:Independent advisor**
Ownership	100% equity	100% of the	50% equity of	A corporate

structure	ownership of the GP entity by a corporate sponsor, with an internal investment management team	GP owned by a corporate sponsor – industry partner comes into the fund's upper-tier structure as a venture partner/ advisor (i.e., not part of the GP's organizational chart)	GP owned by a corporate sponsor and 50% by an industry partner – or it could be structured as a majority versus minority joint venture	sponsor may own a portion of the GP's equity interests, but investment decision-making is outsourced to an industry partner/third-party investment team
Pros	The corporate sponsor has full control over the fund's investment strategy and operations, providing a stable corporate structure (the GP entity being a wholly owned subsidiary corporate sponsor) and enabling a shorter setup time, as no negotiations with an industry partner are needed.	The corporate sponsor controls the fund's investment strategy and operations, leveraging its industry experts without having to recruit them as employees, providing flexibility for those experts to opt in and out of the GP structure by entering into/terminating the venture partner agreement. No share transfers are required.	The financial risk is spread. Larger-scale investments are enabled if the industry partner subscribes with meaningful $ and/or promotes the fundraising. The industry partner can also supply personnel (including the fund's key persons), deal flow, co-investment opportunities and other resources.	Industry experts, access to market information and other industry resources are leveraged without needing to compile an internal investment management team.
Cons	There is a lack	The	The corporate	The corporate

	of financial risk-sharing with other industry players, as the corporate sponsor is solely responsible for fund setup and fundraising – not an ecosystem play on the formation front. There is also less access to external perspectives compared to models #2, #3 and #4. The compensation mechanism for internal investment managers could be tricky (salary versus incentive).	commitment level of the industry partner could be less than desirable. Venture partner agreements usually require heavy negotiations (e.g., a vesting schedule) and are more commonly adopted when the GP collaborates with individual advisors or consultants than with large corporations. Venture partners typically are not well capitalized	sponsor has less control over the fund’s investment strategy and operations compared to models #1 and #2. Such arrangements are heavily negotiated and include governance complexities (needs to have bespoke decision-making/ tie-breaking mechanisms and carefully designed termination triggers). Fundraising from third parties may be adversely impacted due to a limited track record of teamwork. Potential conflicts of interest also are a concern	sponsor has very limited control over the fund’s investment decisions, even less than in model #3. The independent investment advisor may make investment decisions unaligned with the corporate sponsor’s best interest or strategic goals, creating a moral hazard.

Other structuring considerations

Conflicts of interest are a recurring challenge in co-GP structures. Since the priorities of a CVC sponsor may not align perfectly with those of the fund’s investors, governance mechanisms must be carefully designed for trust-building and smooth operations.

Key strategies to mitigate conflicts include:

- **Transparency and disclosure.** Implementing procedures to disclose potential conflicts to investors is crucial. For example, unaffiliated limited partner representatives could approve transactions involving related parties or cross-fund investments.
- **Periodic reporting.** Establishing regular reporting mechanisms for any related-party transactions, especially those not conducted on arm's length terms, keeps investors informed and helps maintain accountability.
- **Governance safeguards.** Investors may request structural changes to minimize potential bias. These could include limiting the corporate sponsor's voting rights at the fund level or excluding them from investment committee decisions on specific conflict-related matters.

It is important to recognize that there may not always be perfect alignment of interests between investors, who view independent fund managers as fiduciaries responsible for safeguarding the interests of the fund's limited partners, and the corporate sponsor, who is accountable to other constituents as well. This potential divergence in priorities should be carefully considered when structuring the co-GP terms. All parties involved should remain mindful of these inherent limitations and work collaboratively to ensure transparency and balance in the relationship.

Conclusion

For CVC funds considering sponsoring a fund with a co-GP structure, thorough planning is essential. Building robust partnerships requires clear investment strategies, skilled teams, effective conflict mitigation and adherence to regulatory standards. By leveraging co-GP arrangements effectively, CVC funds can accelerate innovation and navigate the complexities of an evolving industry with confidence.

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