GUIDE L3

HOW TO DECIDE AND EXECUTE THE LONG-TERM OWNERSHIP STRUCTURE

Capability Transfer and Transition to Long-Term Ownership

WHERE THIS IS USED

- Venture Studio ventures at terminal structuring
- CVC portfolio companies reaching an ownership decision
- Corporate ventures transitioning to internal ownership
- Foundry-as-a-Service engagements

AUDIENCE

- Executive Sponsor / Venture Board
- EIR / General Manager
- Close Owner / CVC / IC
- Legal & Finance Leads

PHASE

Phase Four: Scale & Optimize
Section L — Capability Transfer & Transition to Long-Term Ownership
Terminal guide of Phase Four

EXECUTIVE SUMMARY

Every venture reaches a terminal structural decision: how it will be owned and operated for the long term. This guide provides the decision framework for choosing among four paths — spin-out into an independent company, spin-in as an internal product or business line, a wholly-owned subsidiary, or an internal business line — and it executes the chosen path.

It produces the terminal deliverable of Phase Four: the transition to internal ownership or a long-term operating structure, made deliberately against fit, funded appropriately, executed cleanly, and formally closed with a Handover Acceptance Certificate.

The four outputs of this guide are: a scored ownership-structure decision recorded in a Decision Record; the executed transition along the chosen path with entity, equity, and agreements settled; TURN8's post-transition role formally set as either advisory for a defined term or a clean exit; and a signed Handover Acceptance Certificate that closes the engagement with any residual obligations documented.

2

THE CORE PROBLEM

The ownership decision is the hinge on which the venture's future turns, and it is the decision organizations most often duck. A venture is approved to continue but no one decides how it will be owned, so it drifts as a dependency that belongs to everyone and no one. Or a single default structure is applied regardless of fit, and a venture that needed external speed is trapped inside a business unit, or one that belonged inside the parent is pushed out to a market that will not fund it.

A clean stop or a clean handover is a win. An undecided path is a slow failure that consumes capital and attention while pretending to be patience.

The six most consistent failure patterns in the ownership decision and execution:

- **Ducking the path.** The venture is greenlit to continue but no one decides how it will be owned, so it drifts without a structural home.
- **One-size ownership.** A single default structure is applied to every venture regardless of strategic fit, speed needs, or corporate appetite.
- **Spin-in with no real owner.** The venture is handed to a business unit that never truly accepts or resources it, becoming an orphaned line.
- **Spin-out the corporate will not fund.** An independent path is chosen for a venture the parent will not back and the market will not fund on its own.
- **Vague advisory scope.** TURN8's post-transition role is left undefined, so advisory drifts into operating or over-stays its useful term.
- **No formal closure.** The transition happens informally with no acceptance, so accountability, residual obligations, and success measures are left unclear.

The real issue:

A venture that is approved but whose ownership path is ducked drifts into a dependency no one owns, quietly consuming the resources that should fund the next venture. The decision must be made deliberately against fit, funded appropriately for the path chosen, executed cleanly with the right legal and financial structure, and closed formally with acceptance. Structuring the ownership well is what converts a successful build into a lasting business or a clean return — and closing it formally is what protects both sides after TURN8 steps away.

3

PREREQUISITES

Must Be Complete Before Starting:

- **Guides L1 and L2 completed** — capability is transferred, the internal team is autonomous or verified near-autonomous under stress
- Venture performance and strategic-value evidence assembled (the I-series and the Guide J2 value case)
- The follow-on and portfolio position is known (Guide J1 decisions and the Guide J3 portfolio view)
- Legal and Finance are available and briefed to execute the chosen structure

Team Readiness:

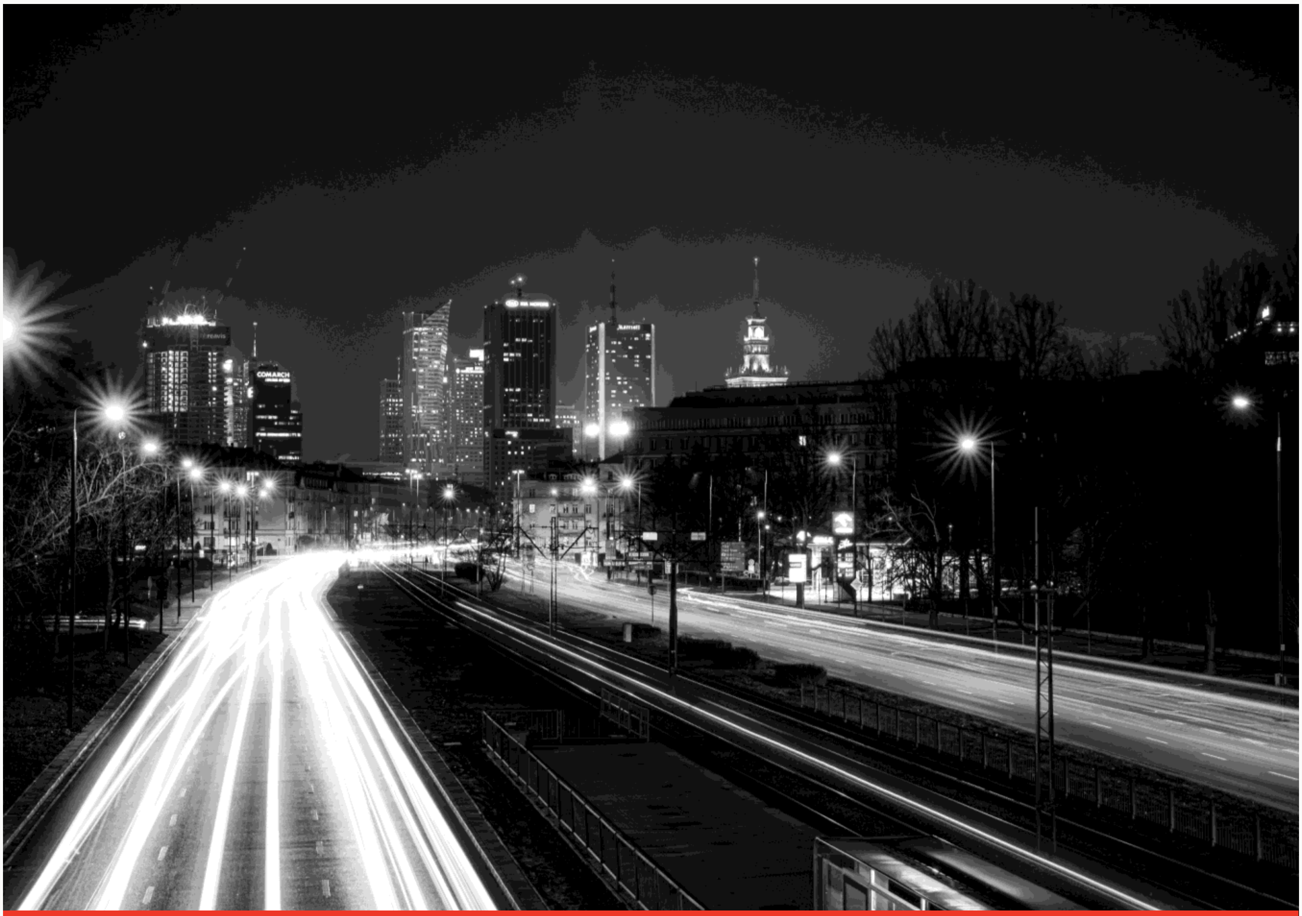
- The Venture Board and, for CVC tracks, the Investment Committee are empowered to make the ownership decision
- The Executive Sponsor and, for a spin-in, the receiving business-unit leader are engaged
- Legal and Finance available for equity, entity, and agreement execution
- For CVC tracks: the Close Owner and Fund CFO are available to settle phantom shares and record the fair-value outcome in the PMS

4

EXPECTED OUTPUT/ SUCCESS CRITERIA

You have completed this guide when the following are true:

- A scored ownership decision across spin-out, spin-in, wholly-owned subsidiary, and internal business line
- A Decision Record authorizing the chosen path with its conditions
- The transition executed: entity or business-unit transfer, equity and phantom shares settled, agreements signed
- TURN8's post-transition role formally defined — Board and VC-in-Residence for a term, or a clean exit
- A signed Handover Acceptance Certificate closing the engagement
- Residual obligations, advisory term, and long-term success measures documented



STEP-BY-STEP INSTRUCTIONS

STEP 1 CONFIRM READINESS FOR THE OWNERSHIP DECISION

The ownership decision is only sound if the venture is genuinely ready to be owned. Confirm that Guides L1 and L2 are complete, that the venture can run under its permanent leadership, and that the performance and value evidence needed to choose a path is assembled. A path chosen before the venture can stand on its own is a path chosen on hope.

1.1 **Confirm capability transfer is complete and verified** — Confirm the L2 readiness bar was cleared under stress and operations are client-led. The ownership decision assumes the venture can operate autonomously; if it cannot, return to Guide L2 before deciding.

1.2 **Assemble the decision evidence** — Bring together the performance evidence (I-series), the strategic value case (J2), and the portfolio and follow-on position (J1, J3). These are the inputs the ownership scorecard weighs.

STEP 2 SCORE THE OWNERSHIP STRUCTURE OPTIONS

Score the venture against the four ownership structures using the spin decision framework. The score is driven by four factors: the venture's strategic fit to the corporate parent's core, its need for external speed, talent, and capital, its dependence on the parent's brand and channels, and the corporate's appetite to own and operate it. High strategic fit points inward; high need for external speed and capital points outward.

Ownership Structure	Best Fit When	TURN8 Role After	Key Risk
Spin-out (independent company)	High need for external speed, talent, and capital	Board / VC-in-Residence for a term; retains phantom shares	The corporate will not fund it and the market will not either
Spin-in (internal product / line)	High strategic fit to the core; a real BU will own it	Clean exit on handover	Orphaned line with no real BU owner
Wholly-owned subsidiary	Core to strategy but needs operating independence	Governance seat; defined support	Neither the autonomy of a spin-out nor the integration of a line
Internal business line	Fully core; best run inside an existing function	Clean exit on handover	The venture's pace is lost inside the parent

2.1 **Score against the four factors, not preference** — Score strategic fit, need for external speed and capital, brand and channel dependence, and corporate appetite to own and operate. Let the scores point to the path; a decision made on preference and reverse-justified is how one-size ownership happens.

2.2 **Test each candidate path for fundability and a real owner** — For a spin-out, confirm the corporate will fund it or the market will. For a spin-in or internal line, confirm a named business unit will actually own and resource it. A path that fails this test is not viable, however well it scores on fit.

AI PROMPT — Ownership Structure Scoring

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I am choosing the long-term ownership structure for a venture.
Evidence: performance (I-series), strategic value (J2), and
portfolio position (J1/J3): [paste]. Score the venture on the four
factors — strategic fit to the corporate parent's core, need for
external speed/talent/capital, brand and channel dependence, and
corporate appetite to own and operate — and map the scores to the
four structures: spin-out, spin-in, wholly-owned subsidiary, and
internal business line. Recommend a path with reasoning, and stress-
test it: for a spin-out, is it fundable; for a spin-in or internal
line, is there a named BU that will truly own and resource it? Flag
the strongest objection to the recommended path.
```

STEP 3 SELECT THE PATH AND RECORD THE DECISION

The Venture Board, or the Investment Committee for a CVC track, selects the path and records it in a Decision Record. This is the decision organizations most often avoid — the guide's discipline is that the path is chosen explicitly, with conditions, and not left to drift.

3.1 **Make the decision at the Venture Board or IC** — Present the scored options and the recommendation and have the governing body decide the path. Do not approve the venture's continuation while leaving its ownership undecided — the two decisions are one.

3.2 **Record the path in a Decision Record** — Capture the chosen structure, the conditions attached, the owners, and the timeline in a Decision Record, following the H3 discipline. The Decision Record is the authorizing instrument for the transition that follows.

AI PROMPT — Ownership Path Decision Record

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I am recording the long-term ownership decision for a venture. The
scored options and recommendation: [paste]. The governing body's
decision: [state the chosen path]. Draft a Decision Record that
states the chosen ownership structure, the reasoning against the
four-factor scoring, the conditions attached to the decision, the
named owners, the timeline, and any dissent noted. Write it to the
H3 Decision Record standard so it can be read back and confirmed
at the Venture Board or Investment Committee and serves as the
authorizing instrument for the transition.
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STEP 4 EXECUTE THE SPIN-OUT PATH

Where the decision is spin-out, the venture becomes an independent company owned by its co-founders and team, and TURN8 transitions from operator to investor and advisor. Execute the entity, equity, and advisory structure cleanly so both the independence and the ongoing relationship are unambiguous.

4.1 **Stand up the independent entity and cap table** — Establish the independent company, its cap table, and the co-founder equity from Guide L1, with Legal and Finance. Settle TURN8's retained phantom shares per the vesting schedule so the ongoing economic interest is clear.

4.2 **Transition the team and operations to the independent company** — Move the permanent leadership and team, the operating system, and the customer and Champion relationships into the independent company. The L2 transfer makes this a move of a running operation, not a rebuild.

4.3 **Confirm the funding path** — Confirm the spin-out is funded — by the corporate parent through the CVC, by external investors, or both. A spin-out without a funding path is the failure pattern this step exists to prevent.

STEP 5 EXECUTE THE SPIN-IN, SUBSIDIARY, OR INTERNAL-LINE PATH

Where the decision is spin-in, a wholly-owned subsidiary, or an internal business line, the venture moves inside the corporate parent. The critical requirement is a named owner who genuinely accepts and resources the venture — without one, the venture becomes an orphaned line regardless of how well it was built.

Path	What Happens	Requirement For Success
Spin-in (product / line)	Venture transfers to a named BU as a product or line	A named BU owner who accepts and resources it
Wholly-owned subsidiary	Venture becomes a subsidiary with operating independence	Governance and funding defined; autonomy preserved
Internal business line	Venture folds into an existing function	A function owner and a plan to preserve its pace

5.1 **Confirm a named owner accepts the venture** — Before transfer, confirm in writing that the receiving business unit, subsidiary board, or function owner accepts the venture and has committed the resources to run it. Acceptance without resourcing is an orphaned line in waiting.

5.2 **Transfer the operating plan and playbooks** — Hand over the documented operating system, playbooks, and evidence base to the receiving owner, and confirm the internal team from Guide L1 transfers with it or is replaced by a resourced team. The operation must arrive intact, not as a set of files.

STEP 6 SET TURN8'S POST-TRANSITION ROLE AND RESIDUAL OBLIGATIONS

TURN8's role after the transition must be defined precisely, whether that is a bounded advisory engagement or a clean exit. A vague post-transition role is where advisory drifts into operating or over-stays its welcome, undermining the autonomy the whole transfer was meant to build.

6.1 **Define the advisory scope, term, and the line not crossed** — For a spin-out or subsidiary, define the advisory scope and term — for example, a board seat for a defined period and a support menu covering fundraising, hiring, governance, and network — and state explicitly the line TURN8 does not cross: TURN8 advises, the founders and owners operate.

6.2 **Settle residual economics and obligations** — Settle phantom or real equity per the vesting schedule, and document any residual obligations, support commitments, and their duration. Ambiguity in the economics surfaces as conflict later.

6.3 **Define the long-term success measures** — Agree the measures by which the transitioned venture's success will be judged and, where relevant, how TURN8's continued interest is served. These give the post-transition relationship a shared definition of success rather than open-ended expectation.

AI PROMPT — Post-Transition Role and Residual Obligations

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I am defining TURN8's role after a venture's ownership transition.
The chosen path and its terms: [paste]. Define TURN8's post-
transition role — for an advisory path, the scope, term, board
cadence, support menu, and the explicit line not crossed (TURN8
advises, owners operate); for a clean-exit path, the closure
terms. Specify how phantom or real equity is settled per the
vesting schedule, document residual obligations and their
duration, and propose the long-term success measures for the
transitioned venture. Flag the most likely way the advisory role
drifts into operating or over-stays, and how the terms prevent it.
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STEP 7 CLOSE WITH THE HANDOVER ACCEPTANCE CERTIFICATE

The engagement closes formally with a Handover Acceptance Certificate — the terminal deliverable of Phase Four. The certificate records that the receiving owner accepts the venture in its transferred state, defines what was handed over, and closes TURN8's operating involvement. An informal close leaves accountability and residual obligations unclear exactly when clarity matters most.

7.1 **Confirm the definition of done for the chosen path** — For a spin-out, the definition of done is that the co-founders own the venture, advisory terms and phantom shares are signed, and the scale plan is live. For a spin-in or internal structure, it is that the receiving owner has accepted the venture and TURN8 has exited cleanly. Confirm the path's definition of done is met before issuing the certificate.

7.1 **Issue and sign the Handover Acceptance Certificate** — Produce the Handover Acceptance Certificate recording what was transferred, the receiving owner's acceptance of autonomous operation (evidenced by the L2 readiness bar), TURN8's defined post-transition role, and any residual obligations. Both sides sign it. This is the formal close of the engagement.

7.3 **Apply the dual-track split** — For a Venture Studio venture, the certificate closes TURN8's build-and-operate involvement and, on a spin-out, opens the defined advisory period; the co-founders and permanent team own what follows. For a CVC portfolio company, the certificate confirms the portfolio company's autonomous operation, the Close Owner records the ownership outcome and settles the fair-value and phantom-share position in the PMS, and the Investment Committee holds any continuing investor relationship. In all tracks the Handover Acceptance Certificate is the terminal instrument, and the outcome should be reconciled against the H1 Expectations Alignment Record that opened the relationship.

AI PROMPT — Handover Acceptance Certificate

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I am producing the Handover Acceptance Certificate that closes a
venture engagement. The chosen ownership path and its execution:
[paste]. The L2 readiness-bar evidence of autonomous operation:
[paste]. Draft the Handover Acceptance Certificate recording what was
handed over (operating system, team, entity or BU, relationships),
the receiving owner's formal acceptance of the venture in autonomous
operation, TURN8's defined post-transition role and any residual
obligations, and the long-term success measures. Confirm the path's
definition of done is met, provide the signature blocks for both
parties, and note how the outcome reconciles to the original H1
Expectations Alignment Record.
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6

TROUBLESHOOTING

Symptom	Likely Cause	Fix
The venture keeps continuing but no one decides how it will be owned	The ownership path is being ducked	Force the decision at the Venture Board or IC per Step 3. Treat continuation and ownership as one decision, scored per Step 2 and recorded in a Decision Record.
The chosen structure does not fit the venture	A default structure was applied regardless of fit	Score against the four factors per Step 2.1 and let the scores point to the path, rather than applying a preferred structure and reverse-justifying it.
After a spin-in the venture has withered inside the BU	The receiving BU never truly accepted or resourced it	Apply Step 5.1. Confirm a named owner accepts and resources the venture in writing before transfer; do not hand over to an unwilling BU.
A spin-out cannot raise the capital it needs	The independent path was chosen without confirming a funding path	Confirm the Step 4.3 funding path — corporate, external, or both — before executing the spin-out. If neither will fund it, reconsider the path in Step 2.
TURN8's advisory role has drifted back into operating	The post-transition scope and the line not crossed were left vague	Define the Step 6.1 advisory scope, term, and the explicit line — TURN8 advises, owners operate — and hold to it. Over-staying undermines the autonomy the transfer built.
There is a dispute over equity or obligations after handover	Residual economics were not settled and documented at transition	Settle phantom or real equity per the vesting schedule and document residual obligations per Step 6.2, before issuing the Handover Acceptance Certificate.
It is unclear whether the engagement has actually ended	The transition was informal with no acceptance	Issue and sign the Step 7 Handover Acceptance Certificate. The engagement is not closed until the receiving owner has formally accepted the venture and TURN8's role is set.

7

VALIDATION STEPS

Confirm each of the following before considering the venture transitioned and the engagement closed:

- Capability transfer is complete and verified under stress, and the decision evidence is assembled
- The venture is scored against all four ownership structures on the four decision factors
- The recommended path is stress-tested for fundability and for a real, resourced owner
- The path is selected at the Venture Board or IC and recorded in a Decision Record
- For a spin-out: the entity and cap table are stood up, phantom shares settled, and a funding path confirmed
- For a spin-in, subsidiary, or internal line: a named owner has accepted and resourced the venture in writing
- The operating system, team, and relationships are transferred intact to the receiving owner
- TURN8's post-transition role, advisory term, residual obligations, and the line not crossed are defined and economics settled
- A Handover Acceptance Certificate is signed by both parties, the path's definition of done is met, and the outcome reconciles to the H1 Expectations Alignment Record

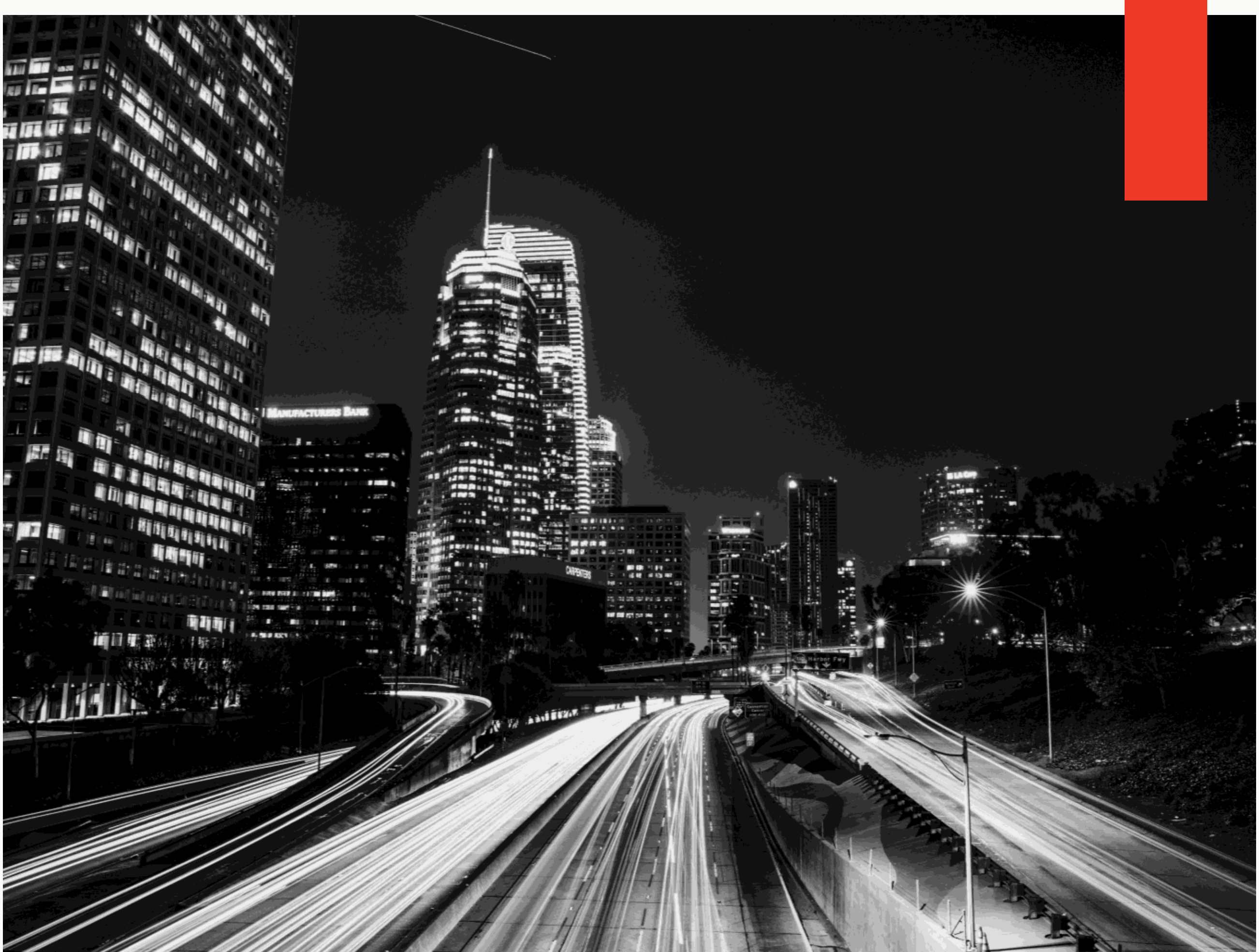
8

NEXT STEPS

With the ownership structure decided and executed and the Handover Acceptance Certificate signed, Phase Four is complete and the venture operates under its long-term structure — an independent company, an internal line or subsidiary, or a resourced business line.

Where TURN8 retains an advisory role, run it to the defined scope and term using the H3 board-reporting and E2 governance-cadence disciplines, and conclude it cleanly at the end of the term rather than letting it drift.

Where the venture spun out with continued CVC investment, its ongoing performance is monitored through the Guide J3 portfolio system and its follow-on decisions run through Guide J1; where TURN8 exited, the receiving owner runs it under the transferred operating system.



MASTER CHECKLIST

A. DECISION READINESS

☐ L1 and L2 complete; capability transfer verified under stress
☐ Operations confirmed client-led
☐ Performance, strategic-value, and portfolio evidence assembled

B. OPTIONS SCORING

☐ Venture scored on strategic fit, external speed/capital need, brand/channel dependence, and corporate appetite
☐ Scores mapped to spin-out, spin-in, subsidiary, and internal line
☐ Recommended path stress-tested for fundability and a real, resourced owner

C. PATH DECISION

☐ Decision made at the Venture Board or Investment Committee
☐ Continuation and ownership decided together, not separately
☐ Path recorded in a Decision Record with conditions and owners

D. SPIN-OUT EXECUTION

☐ Independent entity and cap table stood up; co-founder equity set
☐ TURN8 retained phantom shares settled per the vesting schedule
☐ Team, operations, relationships transitioned; funding path confirmed

E. SPIN-IN / SUBSIDIARY / LINE EXECUTION

☐ A named owner has accepted and resourced the venture in writing
☐ Operating plan, playbooks, and evidence base transferred
☐ The internal team transfers with it or a resourced team replaces it

F. POST-TRANSITION ROLE

☐ Advisory scope, term, board cadence, support menu, and the line not crossed defined
☐ Phantom or real equity settled; residual obligations documented
☐ Long-term success measures agreed

G. FORMAL CLOSURE

☐ Definition of done confirmed for the chosen path
☐ Handover Acceptance Certificate issued and signed by both parties
☐ Outcome reconciled to the H1 Expectations Alignment Record; PMS updated for CVC tracks

H. FINAL CHECK

☐ The ownership path was decided deliberately against fit, not ducked or defaulted
☐ The path is funded and has a real, resourced owner
☐ The engagement is closed with a signed Handover Acceptance Certificate

A clean handover or a clean stop is a win
→ An undecided path is a slow failure. Decide, execute, and close.