

An emerging manager's guide to special purpose vehicles (SPV)

Learn how emerging private equity (PE) fund managers and PE firms can leverage SPVs powered by technology to manage operations, reduce costs, and create new investment opportunities



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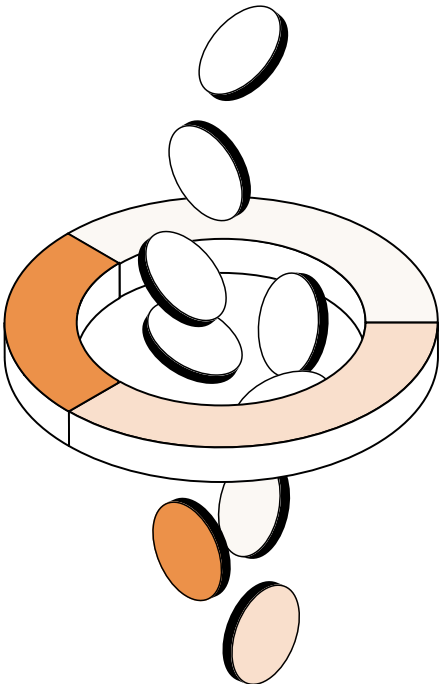
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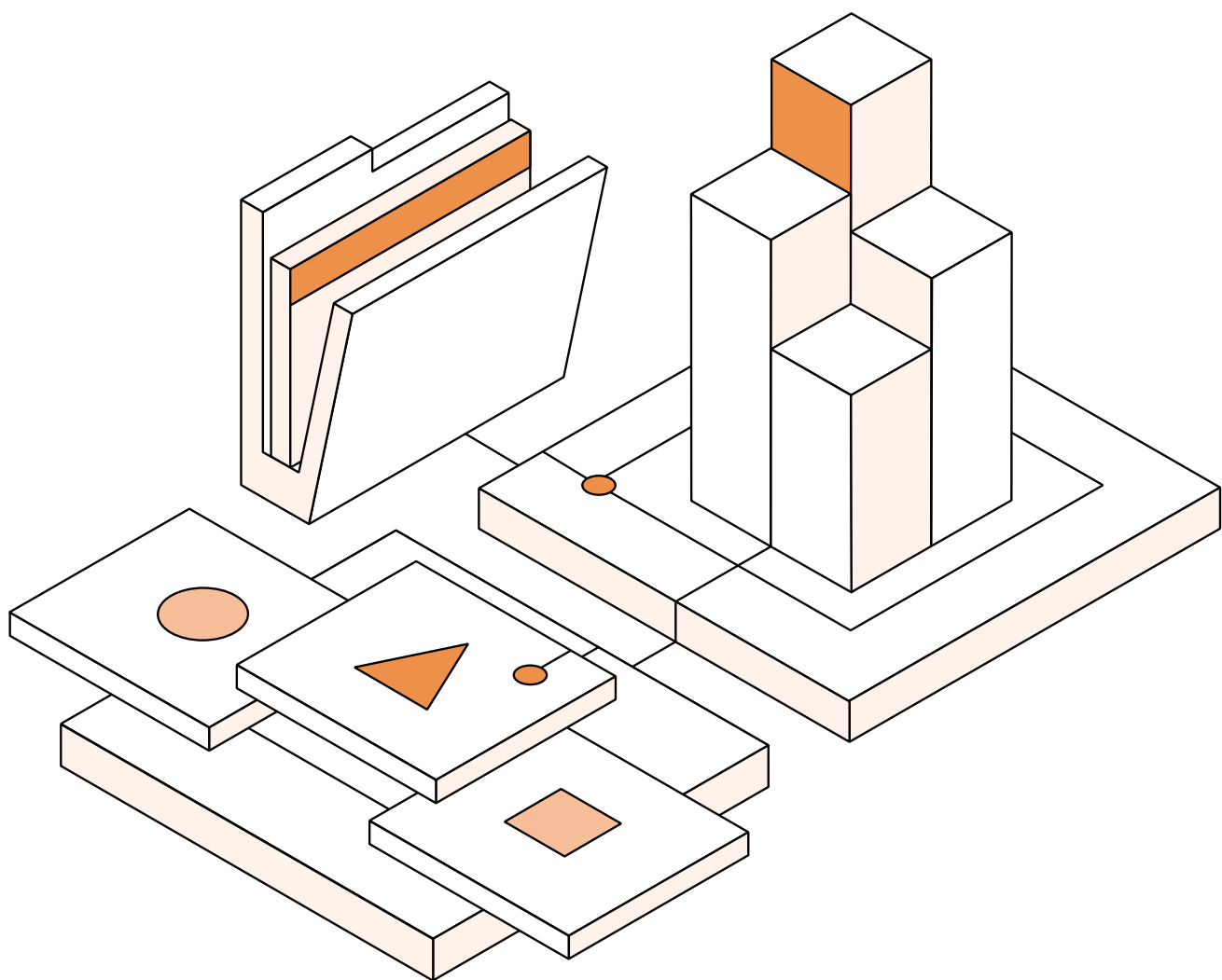
Start with SPVs: Building your investment track record

Launching a PE fund from the ground up is an intricate, time-consuming, and often overwhelming process. Between legal setup, building relationships with limited partners (LPs), raising capital, compliance, you name it, it can take months—even years—to get to your first deal.

The good news is that there's an easier, faster, and more flexible alternative to a full fund in private market investing—special purpose vehicles (SPVs).

In this guide, you'll get a practical introduction to SPVs—what they are, why they're gaining traction, and how emerging managers can get started using them. While SPVs help you stay nimble and move quickly, they do come with their own set of complexities. So, we'll walk you through the proper structure and technology you need to avoid slow, error-prone, and resource-draining activities, particularly for smaller firms that don't have a CFO or in-house finance teams to support.

Whether you're looking to make your first private market play or laying the groundwork for a new fund, we're here to help you connect all the dots to leverage SPVs as a key part of your investment strategy and operations.



1 SPVs 101

What are SPVs?

You can think of a special purpose vehicle (SPV) as private equity's lower-lift on-ramp starter kit: a legal entity that serves as an alternative fundraising structure, allowing multiple investors to pool their capital together and make an investment in a single deal without having to raise a full fund.

Here are a few of the most common ways PE firms and emerging managers use them:



Track record building

Emerging general partners (GPs) often launch SPVs to demonstrate deal sourcing, investment judgment, and returns—one deal at a time—before raising a traditional fund.



Co-investments

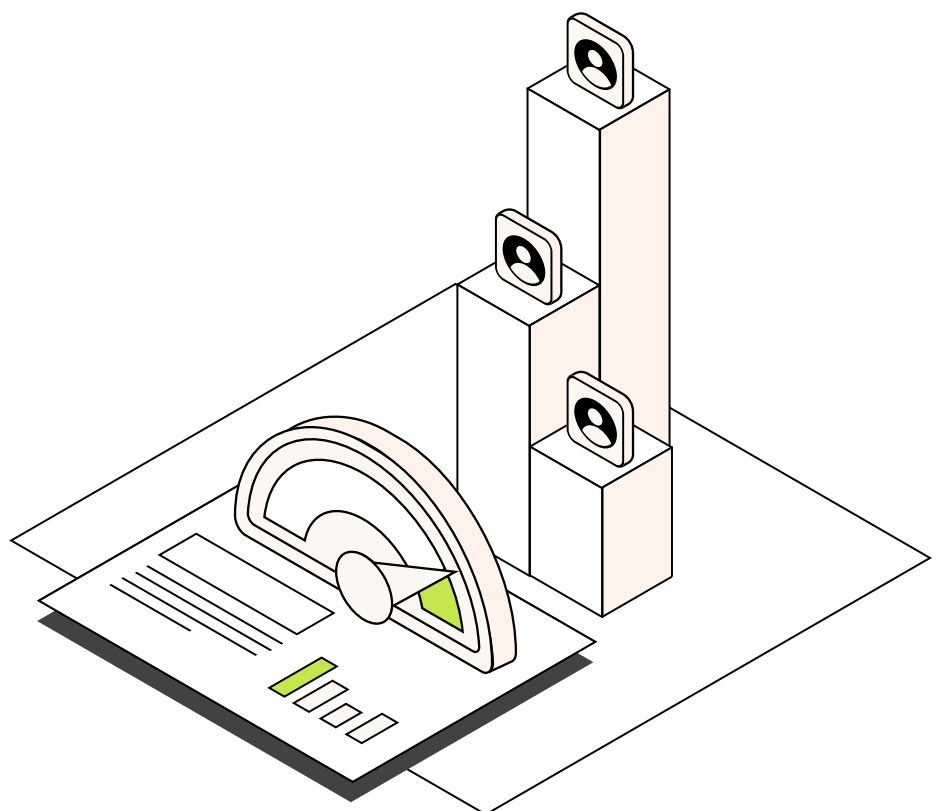
SPVs can serve as co-investment vehicles, giving LPs a chance to double down on specific deals that fall outside of a fund's mandate—or when you need additional capital for a larger transaction.



Outside-the-thesis opportunities

If a deal doesn't fit your fund's strategy, an SPV lets you participate without adjusting your core fund's focus or restrictions.

In addition to PE firms, SPVs are also used by VCs, angel investors, and public corporations for similar reasons.



How SPVs work

SPVs have a lot in common with PE funds. Both are subject to the same federal securities laws and regulations that shape how fund managers can raise capital, structure their funds, and market their services to investors.

SPVs vs. Private Equity Funds

However, there are also important differences. Since SPVs focus on a single investment deal, the timing, investment allocation, and risk profile often look very different from a multi-asset private fund.

Here’s a breakdown:

	SPVs	PE Fund
Number of investments	All of the capital is used to fund a single deal.	A PE fund will typically finance multiple companies or projects that fit its investment thesis
Investment timeline	Short-term play: SPV investors typically see a faster return on their money, as this only depends on a one-deal exit.	Long-term strategy: It can take almost 10 years before every investment within a fund’s portfolio exits.
Capital contributions	Single capital call: Fund managers using SPVs typically call all of the capital from investors upfront.	Multiple capital calls: PE fund GPs call a specific amount of capital when they’re ready to invest in a portfolio company.
Complexity	Simpler legal and commercial structure.	More complex legal governance requirements.
Efficiency	Quicker to set up and raise capital.	Often slowed down by due diligence and compliance.
Cost	Lower setup and maintenance costs.	Higher costs due to ongoing governance and reporting.

Types of SPVs

There are different SPV structures, all used for varying use cases and outcomes depending on where investors are based. We'll talk more about which types of SPVs are suitable for emerging managers and co-investing in Chapter 3.

For now, here's a simple overview of three types:



Limited liability company SPV (LLC SPV)

The traditional way for private equity firms to set up a special purpose vehicle in the U.S. is by creating an LLC SPV—a legal entity formed with the sole purpose of making an investment in a private company. Investors all become members of the LLC and then appoint a manager.



Limited partnership SPV (LP SPV)

Limited partnerships offer the same benefits and protections for investors as LLCs, along with additional advantages across international jurisdictions.



Joint ventures (JV)

A joint venture is when two or more companies combine their resources and collaborate on specific projects, such as creating a new entity to pursue different business activities. In this scenario, the SPV—also known as a special purpose entity (SPE)—functions as a subsidiary company with its own balance sheet, assets, and liabilities. There are two key benefits of this legal structure: It allows the SPV to be “bankruptcy remote,” protecting it from insolvency if the parent company goes under; at the same time, it offers liability protection for the parent companies.

SPVs allow for speed, agility and lower costs than full PE funds. However, poorly managed SPVs can become slow, inflexible, and inefficient due to high legal bills, paperwork delays, and cumbersome compliance processes. Will talk more about how to avoid these pitfalls in Chapter 5.

The rise of SPVs, by the numbers

As private market investment activity has grown over the last decade, so has the use of SPVs across investors, venture capital, and private equity. On Carta, the number of new SPVs is up 31% compared to three years ago—and up 116% from five years ago.

On another front, there has been a recent contraction in PE fundraising. In 2023, the number of new PE funds closed dropped 38% from the year before, as rising interest rates pushed LPs to look beyond the private markets for capital allocation. In a slower fundraising environment, raising an SPV for a single deal is typically a faster, more flexible way to put capital to work, and easier for GPs to manage than raising a whole fund.

SPV sizes trending up

In 2023, the median size of all SPVs on Carta larger than \$10 million* was nearly \$22.6 million. This figure has increased in four straight years, rising from \$15.2 million in 2019.

*We use \$10M as a rough threshold to delineate SPVs more likely to be used for PE-style investments from those more likely to be used for VC-style investments.

MEDIAN SIZE OF SPVS

\$22.6M

AUM is concentrated in large SPVs

Less than 10% of the SPVs in this sample manage more than \$75 million in assets. But this group of the largest of SPVs accounts for nearly 30% of all capital raised, with nearly \$4 billion.

LARGEST OF SPVS
ACCOUNTS FOR NEARLY
30% OF ALL CAPITAL RAISED

\$4B

LP counts can vary widely

Some SPVs invest capital provided by just one or two LPs, while others have dozens of LPs. Among SPVs with between \$10 million and \$20 million in AUM, the median LP count is 18.

MEDIAN LP COUNT IS

18

If you want to dig deeper into SPV trends around structures, fees, and more, read our proprietary data and research in [SPV Spotlight: Private Equity Edition](#) and join the exclusive waitlist for our expanded SPV report.

3 SPV Workbook: A step-by-step guide to getting started for emerging managers

As mentioned in the previous chapter, rising interest rates have pushed lots of LPs and independent sponsors to look at investing outside of private markets— and creating SPVs to fuel things like co-investment deals give them more visibility and control than a traditional fund and are easier for GPs to manage.

But, aside from LPs and GPs, SPVs offer an appealing path for emerging PE fund managers to catapult themselves into private equity investing. More and more emerging managers are turning to SPVs as a nimble, deal-by-deal approach to investing. Emerging managers can strike up their own deals or can act as independent sponsors and co-invest with a larger firm. With lower capital requirements and lighter operational lift than a full fund, emerging managers can form several SPVs to build out a small portfolio, giving them the ability to prove their thesis chops and show a tangible track record to LPs as they work towards raising their first full, traditional fund.

So, how do you actually set up an SPV as an emerging manager? Here’s a quick 10–step process on how to set up your SPV. You can add your own notes by using a PDF text editor or printing out this section of the guide and writing them in. Beneath the workbook, you’ll see some advantages and disadvantages of SPVs to keep in mind along the way.

Step 1: Determine the purpose and objectives of your SPV

The most common purpose of an SPV is to invest in one company. Start by finding that target company and obtaining a set allocation of capital. You can use this to pitch the opportunity to investors that you want to join the SPV.

Your SPV

Purpose:

Objective:

Allocation of capital amount:

Step 2: Set a location

Are you investing in a company outside of the U.S.? Where are your potential investors based? Remember, financial regulations and tax treatment vary in different jurisdictions.

Your SPV

Company location:

Investor locations:



Step 3: Decide on your SPV structure

This depends on your chosen location and the purpose of your SPV. (Note: Delaware LLC is the easiest and least expensive option if you’re planning to invest in a U.S. company.)

Your SPV

Structure notes:

Step 4: Create your package of governing documents

You will want to include subscription documents and an LLC operating agreement or limited partnership agreement (your SPV structure determines your operating agreement type). You may also want to draft a private placement memorandum (PPM), this informs investors of the potential risks of your SPV.

Your SPV

Governing documents list:

Step 5: Get an EIN for banking and taxes

You can get an Employer Identification Number (EIN) through your registered agent, or by completing the [Form SS-4](#) and filing it with the Internal Revenue Service (IRS).

Your SPV

EIN:

Tax notes:

Step 6: Open a bank account

A business bank account allows you to manage the finances of the SPV and receive capital from investors.

Your SPV

Banking notes:

Step 7: Find your service providers

Usually, you'll want an SPV administrator and a tax provider. You may also need to appoint an auditor.

Your SPV

SPV administrator:

Tax provider:

Auditor:

Step 8: Onboard your investors and make a capital call

SPV investors typically provide all of the money they've committed upfront. This ensures there is enough money to make the investment.

Your SPV

Investor notes:

Capital call notes:

Step 9: Make an investment with your SPV

Make sure to review and sign the relevant legal contracts to close the investment, like [SAFE documents](#) or a stock purchase agreement.

Your SPV

Investment notes:

Step 10: Make sure to comply with regulatory exemptions

When you're raising capital for an SPV, it typically happens through an [exempt offering](#). For example, the exemptions provided under [Regulation D](#) allow GPs to issue private securities without registering the offering with the Securities and Exchange Commission (SEC).

Some additional regulatory frameworks that may be implicated include:

- Exempt Reporting Advisers or Registered Investment Advisers under the Investment Advisers Act of 1940;
- Section 3(c)(1) or 3(c)(7) exemptions under the Investment Company Act of 1940;
- The Employee Retirement Income Security Act (ERISA);
- Anti-money laundering or know-your-customer (AML/KYC) regulations.

You'll also want to make sure you check for any ongoing regulatory and compliance obligations, including state-specific franchise taxes, registered agent fees, blue sky securities notice filings, and possibly an annual Form ADV.

Your SPV

Regulatory compliance notes:

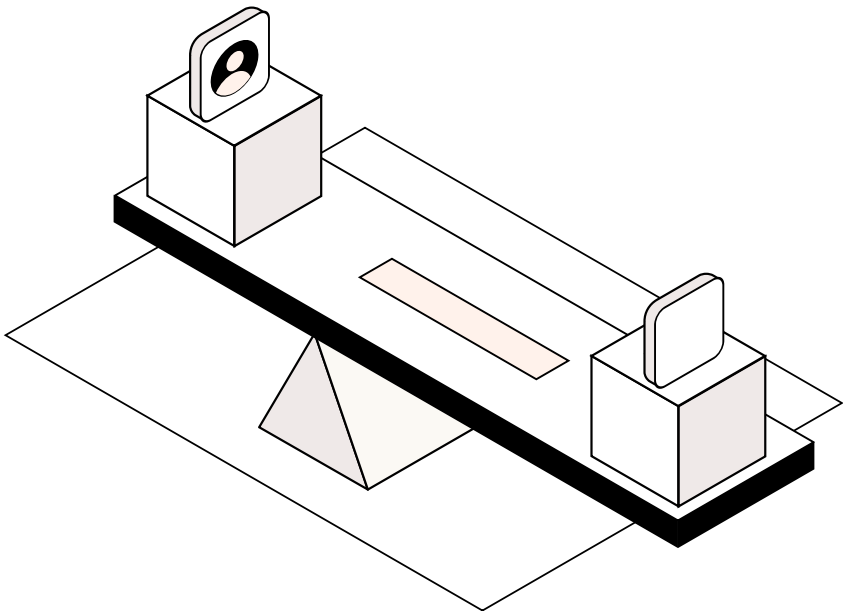
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A look at SPV advantages,
disadvantages, taxes, and payments

SPV advantages and disadvantages

As we know, SPVs are simpler to set up, invest in, and manage than traditional private funds—making them a popular entry point into private markets, especially when fundraising is tough. That said, they’re not without tradeoffs. See the table below for a quick comparison:

Advantages	Disadvantages
PE and VC funds vary in terms of administrative costs, but they are generally expensive to launch. SPVs can usually be set up for a fraction of the cost.	Some LPs see SPVs as funds for investors not ready to break into VC or PE. But, this stigma is shifting as more investors start using SPVs to supplement other, less flexible investments.
Investing in an SPV is less expensive for LPs than a traditional fund. For example, some LPs invest as little as \$1,000 into an SPV, while a typical allocation to a larger VC or PE fund starts at \$500,000.	SPVs are usually raised for a single investment and that means less diversification than a typical fund. This can result in an increased financial risk for investors.
With SPVs, investors can isolate financial risk. If an SPV has poor performance, it won’t weigh down the firm’s core funds. This is beneficial for GPs raising a follow-on fund.	If a GP wants to set up an SPV as a continuation fund, they might struggle to get their LPs and the portfolio company to align on exit terms.



SPV taxes

If an SPV is set up as either a limited partnership or limited liability company, it's treated as a pass-through entity by default—meaning the SPV itself isn't taxed but investors are responsible for paying taxes on their pro-rata share of the SPV's income.

That said, both structures can elect different taxation: LLC SPVs can choose to be taxed as an S-corporation or a C-corporation, and LP-based SPVs can choose to be taxed as a C-corp.

SPVs can offer additional tax advantages depending on where they're formed. For example, jurisdictions like the Cayman Islands or British Virgin Islands (BVI) have favorable tax regimes that can help certain investors reduce their overall tax burden.

That said, structuring an offshore SPV comes with other considerations. Fund managers need to account for U.S. reporting requirements—like FATCA and controlled foreign corporation (CFC) rules—as well as any potential withholding implications. It's important to weigh both the benefits and the compliance obligations when setting up your vehicle. For example, while LLC SPVs can technically be used outside the U.S., the entity might have trouble accepting capital from international investors. LP SPVs are a sensible choice if you plan to raise capital from non-U.S. investors because the entity type is globally recognized.

SPV fund payment structures

GPs operating an SPV sometimes adopt the same “2 and 20” payment structure often used in traditional VC funds. This means that GPs charge a 2% annual management fee on the total assets under management (AUM) and take a 20% cut of the profits after the SPV hits the threshold specified in its limited partnership agreement (LPA). This threshold is typically a return on investment (ROI) the fund must provide to investors before GPs can collect their share of the fund's profits.

Depending on the deal, GPs might adjust those terms. For highly competitive opportunities, they may raise the management fee or carried interest above “2 and 20” to reflect the effort or access involved. In other cases, offering more favorable terms can help bring hesitant LPs into the deal.

How a PE firm leverages SPVs to execute on exciting new deals with speed, agility, and low overhead costs

CASE STUDY



x



Bochi Investments, an Oregon-based PE firm, is streamlining operations, cutting costs, and investing in exciting opportunities earlier than larger firms can due to their lean, technology-forward infrastructure powered by Carta.

Carta SPVs let Bochi raise capital quickly, reduce legal and compliance costs, and involve more investors —many of whom are new to private equity. Their setup allows their co-founder J.B. Handley to focus on sourcing deals rather than managing infrastructure.

With Carta's support, Bochi operates at an impressive scale without complex infrastructure or a back office. In 2024 alone, they completed 20 investments worth \$50 million with only four people on their team. And, some of these deals would have been unfeasible without Carta. According to Handley, traditional legal and compliance costs typically ranged from \$100,000 to \$200,000 per deal. Now, with Carta, Bochi can structure flexible investment opportunities that Handley could only dream about before.

Carta also boosts investor confidence by helping Handley manage investor relations and get answers to LP questions without headache.

“

I chose Carta because it has the most credibility behind it. ... When I ran my first SPV through Carta, I almost couldn't believe how easy it was.”



J.B. Handley Co-founder, Bochi Investments

You can read more about Bochi's story and their creative use of Carta SPVs [here](#).

6 How Carta SPVs can help

Streamlined private equity SPVs: Form, close, and administer special purpose vehicles on a single platform.

An SPV platform for private equity investors



Real-time metrics

Access real-time SPV data through Carta's GP Portal.



Team of experts

Our team of 400+ fund administration professionals provide support for the life of your SPV.



End-to-end management

Carta will administer your SPV from formation and management to distributions and tax filings.

What does Carta offer?

Efficient formations

We'll help you swiftly develop legal documents, form your entity, find a registered agent, open a bank account, and onboard your investors.

Standardized closings

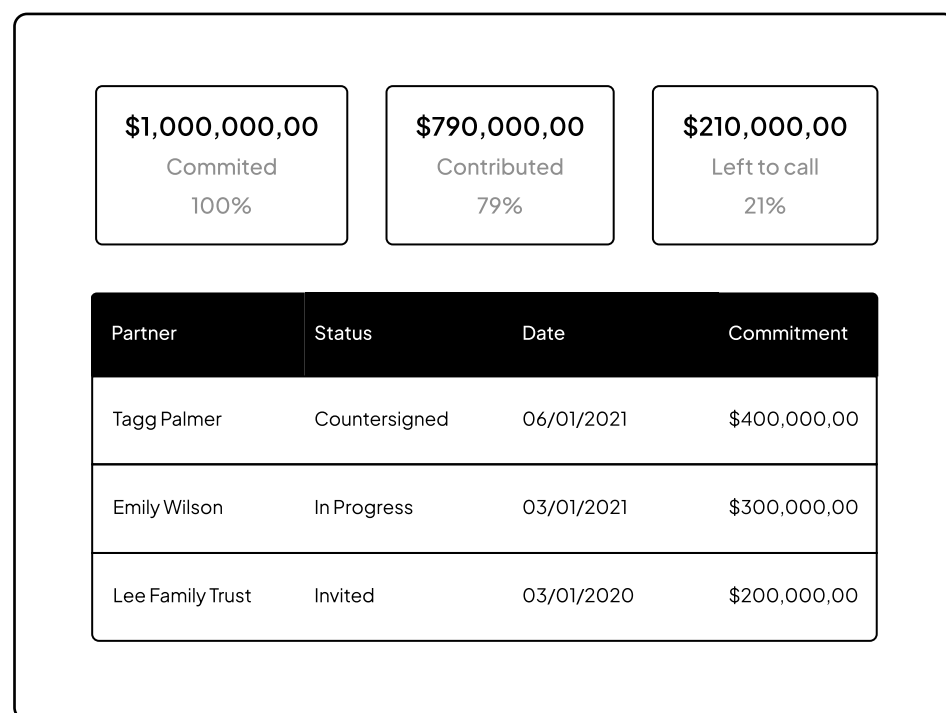
Our Closings Tool allows investors to close SPVs with just a few clicks. We'll take care of the capital call notices and distributions to your investors.

Compliance and tax assistance

We can handle your Blue Sky and Form D securities filings and run AML/KYC checks on your LPs. Carta can also prepare and file your tax returns and K-1s with our team of in-house tax professionals, all conveniently managed in-app.

Streamlined LP communications

Our LP portal ensures your investors always have access to everything they need. With a single login, LPs can sign subscription documents, view investment-level performance and financial reports, and receive K-1s and distributions.



SPVS ON CARTA

5,000+

AUA

30B+

K1S DELIVERED

25K

SPV SIZE UP TO

\$100M+

Learn how Carta helps investors form and administer fast, agile, and efficient SPVs.

[Request a demo](#)

