SOVEREIGN™

SPV vs Holding Company vs Foundation

Introduction & Overview

Choosing the right structure depends on what you want to achieve, the assets involved, the operational activity required and your long-term objectives. Although SPVs, holding companies and foundations can be used together, each solves a different problem.

SPECIAL PURPOSE VEHICLE (SPV)	**HOLDING COMPANY**	**FOUNDATION**
Ring-fence assets	Centralise ownership	Protect family wealth
A company created to hold a specific asset, investment or transaction.	A company used to own and manage multiple businesses, subsidiaries or investments.	An independent legal entity used for succession, wealth preservation and governance.
Common uses	Common uses	Common uses
• Property ownership • Investments • Intellectual property • Joint ventures	• Business groups • Regional subsidiaries • Investment portfolios • Group ownership	• Succession planning • Family governance • Intergenerational wealth • Long-term asset ownership
Ownership	Ownership	Ownership
Shareholders or a parent entity	Individual or corporate shareholders	No shareholders; governed by a Council
Best suited for	Best suited for	Best suited for
One asset	Multiple companies or investments	Long-term succession and wealth planning
Key question	Key question	Key question
How can I isolate this asset?	*How can I organise my businesses?*	*How can I preserve wealth for future generations?*

Understanding Each Structure

Special Purpose Vehicle (SPV)

An SPV is a company established for a specific and usually limited purpose. It is generally used to hold a particular asset, investment or transaction separately from the owner's other personal or business activities.

Common uses include property ownership, investment assets, intellectual property, joint ventures, financing arrangements and private equity investments. By placing an asset within a separate legal entity, an SPV can help ring-fence that asset and its associated liabilities from other parts of a wider business or investment portfolio.

An SPV is typically passive rather than operational, has shareholders or a parent entity, and is not normally intended to conduct an active trading business.

Holding Company

A Holding Company is established primarily to own shares in other companies, investments or assets. Unlike an SPV, which usually has a narrowly defined purpose, a holding company commonly sits above a group of businesses or investments.

It can centralise ownership of subsidiaries, provide a consistent governance framework and create a platform for receiving dividends, making investments and managing group-level capital. It may be particularly relevant to family businesses, international entrepreneurs, regional groups and organisations expanding across the GCC or internationally.

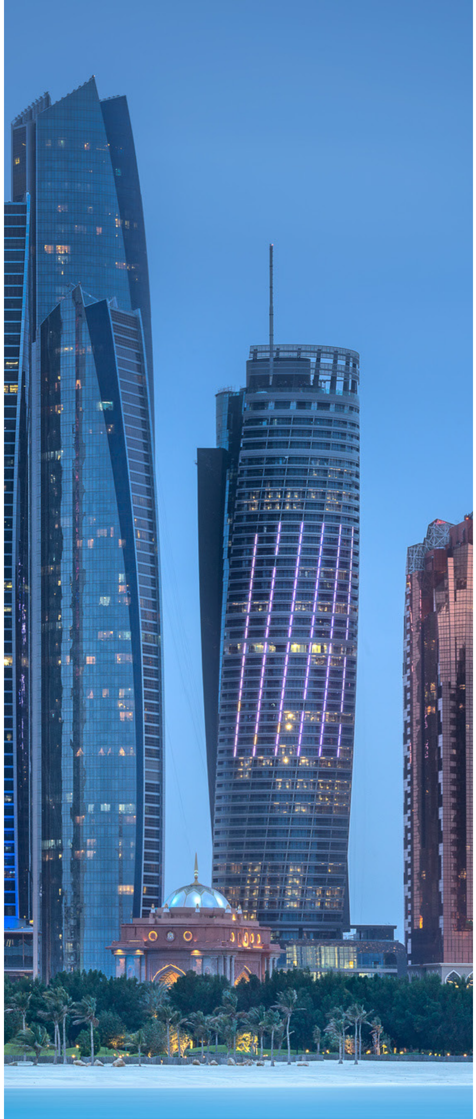
A holding company has shareholders and directors and may hold multiple businesses, investments and asset classes. Depending on its jurisdiction, licence and activities, it may also have employees, premises and operational substance.

Foundation

A Foundation is an independent legal entity used primarily for succession, wealth preservation and long-term governance. Unlike an SPV or holding company, it does not have shareholders. It is established by a Founder and governed by a Council in accordance with its Charter and By-Laws.

A foundation can hold company shares, investments and other assets directly, or it can own a holding company through which underlying businesses and investments are managed. Beneficiaries and additional governance mechanisms, such as a Guardian, may also form part of the structure.

Foundations are particularly relevant to families and individuals seeking to establish how wealth should be managed, protected and ultimately benefit future generations. They may also be used for philanthropic or charitable purposes.



Choosing the Right Structure

1. You have one property or specific investment

Consider a Special Purpose Vehicle (SPV)
A dedicated SPV may provide a focused structure for holding a single property, investment or other asset separately from wider personal or business activities.

2. You own several companies

Consider a Holding Company
A holding company can centralise ownership where you operate multiple businesses or hold subsidiaries across different jurisdictions.

3. You are planning for the next generation

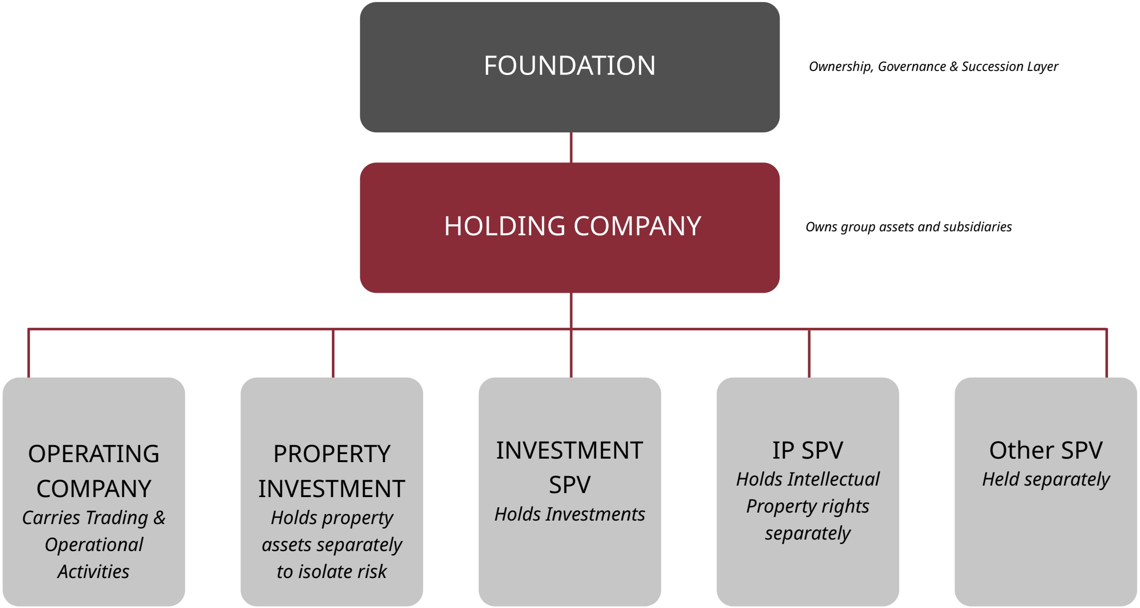
Consider a Foundation
A foundation may be appropriate where succession, family governance and long-term wealth preservation are the primary objectives.

4. You need succession planning and corporate management

Consider combining structures
More complex arrangements may use a foundation for long-term ownership, a holding company for group management and separate SPVs for individual assets or investments.

Combined Structures

A layered structure can help align succession planning, corporate ownership and asset protection. The foundation provides long-term governance, the holding company manages group ownership, and separate SPVs isolate individual properties, investments or intellectual property.



Key Facts About Sovereign Group

- Leading independent provider of corporate, private client and retirement planning services
- 35+ years' experience supporting corporates, entrepreneurs, investors, HNWIs and families
- Global presence across 20+ jurisdictions such as UAE, Singapore, Saudi Arbaia, Bahamas, Switzerland, UK
- Managing 20,000+ structures with £20 billion assets under administration
- Licensed Corporate Service Provider in Dubai, Abu Dhabi, DIFC, ADGM & RAK ICC
- Expertise in tax-efficient structuring, wealth preservation, compliance and cross-border administration

Need advice on structuring?

Sovereign Corporate Services can assist with the establishment and ongoing administration of SPVs, holding companies and foundations across the UAE, including ADGM, DIFC, RAK ICC and other suitable jurisdictions, together with related corporate, accounting, tax and compliance services.

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