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VYLD
CASE STUDY

It just doesn't make sense to produce a great, sustainable product, but then have an exploitative company structure and culture.

- Ines Schiller, Founder VYLD

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RE-VYLDING THE WORLD: GROWING AS SUSTAINABLY AS THEIR SEAWEED WITH STEWARD-OWNERSHIP

VYLD is a German start-up seeking to promote menstrual health while saving the oceans. Founded in 2021 in Berlin, VYLD embarked on a mission to produce innovative, eco-friendly and healthy products made from seaweed, starting with tampons. Wanting to set up the company as a profit-for-purpose company, the founders carefully designed a non-exit oriented financing structure – including a successful crowdfunding campaign – that allows them to stay independent and grow organically – and set up their company in steward-ownership.

KEY FACTS

Industry: Biotech
Location: Berlin
Founded: 2021
 # Employees: 4
In Steward-ownership since: 2022

Vyld
1.568 Follower:innen
1 Woche •

✓ Follower:in •••

Vyld is not your typical startup investment case. It's not even an attractive VC case. Here is why it is a captivating case for funders who are looking for real impact because and not in spite of this. #regenerativereturns #structuredexit

You're an investor wanting to contribute to ocean health and gender equality? Join us in building a universe of sustainable seaweed products (#algaeverse) and a better alternative to extractive capital! => hello@vyldness.de 🙌

We are thrilled to announce that there is only one spot left in our current seven-figure financing round! The final chance for a funder who wants to prove that there are (enough) impact investors willing (and able) to push the envelope on sustainable finance.

We raised all of Vyld's investments on our customized financial instrument Future Profit Partnership Agreement (#FPPA), that we're happy to share with other purpose companies. It's a mezzanine instrument designed to fit our company DNA as a profit-for-purpose company in the #stewardownership model, to prevent mission-drift and secure our independence while providing fair returns for investors.

Besides our governance model we are deliberately taking alternative paths in funding because the legacy VC model with its assumptions of exponential, infinite (hyper)growth and "the winner takes it all" has brought our planet and society to the point we are at today (hint: not a good place). As environmentalists and feminists we are not willing to play along with that, even if this means things might be (even) more challenging in our startup life: From investors who seemed personally offended by the pure concept of capped returns over the mantra-like "I want my 100x return" to the uncomprehending questioning of why someone would "limit" themselves as we as founders do (hint: it's about freedom and stewardship), we are confronted with the tremendous pressure of the same old stories that "economy just works like that". Sure, it does, if we decide to keep on feeding the old narratives. If we decide to choose a path within the planetary boundaries, we have the chance to realize a regenerative economy, with fair returns for all stakeholders involved.

And yes, the risk was and is still high - we are an innovative pre-revenue FemTech/BioTech company - but the risk of not achieving a real paradigm shift is so much bigger. And if we get it done, the upside is massive #NoEndOfTheWorld

From the beginning and all the way until today we had vantastic funders trusting and supporting us and sharing our belief that another economy is possible. We want to thank you from our 💙 (alphabetical order)
Christian Kraus
Impact Shakers
Janina Weingarth
Johanna L. Wiese
Kai Viehof
Nils Langemann
Purpose Economy
Sebastian Klein
Stephan Breidenbach
The Case for Her
Dr. Uwe Seider
Viva con Agua
Wilfried Gillrath
And a special thanks to Dr. Christoph Bielak for the incredible legal work on the FPPA.

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EXECUTIVE SUMMARY

Founded in 2021, VYLD is a German profit-for-purpose startup seeking to empower menstruators around the world while at the same time supporting radical sustainability. With a vision to create a positive impact on the environment and improve menstrual care, VYLD embarked on a mission to produce the world's first tampon made out of seaweed: radically sustainable, fair, healthy and degradable in water and on land (the "Kelpon").

Looking for a way to set up a company structure aligned with their values, vision and their concept of entrepreneurship, Ines Schiller and Melanie Schichan of VYLD discovered the concept of steward-ownership. They didn't want to build up VYLD and then make an exit, but focus on their business model and mission in the long run. The question of ownership, power distribution and how to set up a financing structure reflective of the company they wanted to build was central for Ines and Melanie. To them, steward-ownership was a way to legally enshrine what they wanted to build from the beginning on – and also to credibly communicate it to potential investors.

> *The central question for us was how we wanted to approach ownership, power and financing. Because, in our view, creating sustainable products alone is not enough if it is done in an unsustainable manner. Following a business model and the legacy logic focusing on rapid (hyper)growth and seeking an exit contradicts our vision and does not align with our values.*
>
> \- Ines Schiller

From the beginning on, they strategically built their financing structure to facilitate a transition into steward-ownership later on, integrating a group of investors as well as a crowdfunding campaign in their financing model. In their second financing round, VYLD collaborated closely with its investors to successfully convert the financing instrument into one that better suited their needs: from subordinated loans into a "Future Profit Partnership Agreement" (FPPA) based on profit participation certificates. With the implementation of this new financial instrument, although not selling shares, the investments are still categorized as equity, allowing VYLD to qualify for subsidies and bank loans.

With a firm commitment to steward-ownership from the very beginning and their non-exit-oriented financing structure in place, VYLD was able to transition into steward-ownership in late 2022 using a golden share model. VYLD is a unique case showing the potential in asking difficult questions around ownership, power and financing before going into the first financing round – and the relevance of legally enshrining steward-ownership even when founders are completely aligned. It is also a case showing the potential of steward-ownership for collaboration, stakeholder engagement, social entrepreneurship and investor relations.

Photo: Jonas Strassburger

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THE WAY TO VYLDNESS

The journey of Ines Schiller, founder and CEO of VYLD, has been a culmination of various experiences throughout her life. Ines studied philosophy and neuroscience, driven by a desire to understand how to better navigate and improve the world we live in. Later, she ventured into the realm of film production, where she met Melanie Schichan, a like-minded individual who shared her strive for real-world impact and with a solid background in business administration. Together they moved on to a project in the world of social entrepreneurship and NGOs, the unconditional basic income. But it was Ines' love for the ocean that truly ignited her passion – and first led her to think about seaweed as a sustainable material. While pursuing training to become a marine guide in South Africa, her lecturer conducted research on the potential medical benefits of seaweed which not only proved to be highly nutritious but also very sustainable. Ines' understanding of the benefits of seaweed was expanded through her work at a startup in the blue bioeconomy. It was during this time that the idea of creating a meaningful product utilizing seaweed began to take shape in her mind – the starting point for the journey of VYLD. Period products were the obvious choice given the unique seaweed properties and current offer, level of demand and environmental pollution from improper disposal of the traditional products.

In 2021, Ines founded VYLD with the goal of producing reliable, healthy, and sustainable period products that contribute to ocean conservation and with the vision to build an "Algaeverse" – a universe of sustainable and healthy absorbent algae products (from pads, liners and even period panties over baby diapers to adult incontinence care) that helps establish a regenerative economy within the boundaries and cycles of the living world, and that contributes to greater global equality.

At the same time, VYLD wants to reduce the stigma around menstruation and contribute to period health and empowerment for all menstruators.

Currently, seaweed (kelp) serves as the primary material in VYLD's initial product the "Kelpon" – the first tampon made from seaweed. In 2023, they entered the beta phase of the Kelpon development with the first tampons tested by menstruators.

> *In the past, period products have been developed primarily according to economical parameters. This next generation of period products puts sustainability, performance, comfort, and health first.*
>
> – Melanie Schichan

Besides the environmental benefits, using seaweed also offers health and performance benefits. Research indicates that VYLD's tampon fibers, derived from marine algae, preserve the vaginal microbiome, and outperform conventional tampons in testing.[1]

With the Kelpon, VYLD thus provides a solution to the large environmental impact of period products. Around 49 billion tampons, pads and panty liners are used every year in the EU alone.[2] Currently, there aren't many genuinely sustainable options available. While some products such as organic or reusable alternatives are more eco-friendly they often come with their own challenges. These can include a dependency on access to running water for cleaning, the presence of hidden plastics, the utilization of non-biodegradable materials, reduced performance or the demand for significant resources, such as substantial amounts of fresh water, particularly during cultivation.

[1] https://www.vyldness.de/.
[2] https://tenor.bethmannbank.de/vyld-tampons-die-kraft-des-ozeans/

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STEWARD-OWNERSHIP FOR A PROFIT-FOR-PURPOSE START-UP

The first step towards turning their vision into reality was taken in 2021 when VYLD was founded as a GmbH.[3] Throughout their journey, Ines and Melanie encountered the concept of steward-ownership. Initially, they mainly associated it with succession planning, which was not their immediate focus when founding a startup. They perceived it rather as an elite concept, asking themselves why a founder would need a legal structure that ensured that they wouldn't move towards an exit.

However, as they delved deeper into the search for an appropriate ownership and financing structure, trusted partners and investors (re-)pointed them towards steward-ownership and the Purpose Foundation as a concept offering what they were looking for in an ownership and financing structure for the company they envisioned.

Photo: Jonas Strassburger

Why do you need someone to watch your back and make sure you don't sell your business as the money might seduce you in the end? What a dude problem!

– Ines Schiller

They realized that steward-ownership could serve as a valuable framework for aligning their legal structure with the company's core values and also for communicating their commitment in a legally binding way to stakeholders. It would allow them to ensure an efficient communication of their mission and their identity as a profit-for-purpose company.

At the same time, VYLD's status as a research and development project meant that they couldn't bootstrap their way – they needed substantial financing to realize their innovative product idea. In building up investor relationships and raising capital, they wanted to ensure that it was clear to everyone: control over VYLD was not up for sale.

I am a founder, I want to shape my baby, so to speak, and not sell it off.

– Ines Schiller

They went on to design a financing and ownership structure that would help them to grow sustainably whilst ensuring that VYLD remained independent and mission-oriented. They knew for sure that they didn't want to set up the company to make an exit. The process of exploring how to translate this into practice led them to steward-ownership as a suitable and powerful model aligned with their specific circumstances.

[3] German legal form: Gesellschaft mit beschränkter Haftung; limited liability company

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As ownership model, steward-ownership upholds two core principles:

(1) Self-governance - the company's steering wheel, or the voting rights, rests with people who are directly connected to the company. This means that voting rights cannot be sold speculatively or inherited automatically; instead, they are passed on to trustees who are responsible for upholding the company's purpose.

(2) Purpose orientation - the value of the company and its profits cannot be personalized by the shareholders, but rather serve the long-term development of the company. Profits are therefore not an end in themselves, but a means to an end and are invested in the company and its purpose or used for charitable purposes.

Having decided on steward-ownership and their criteria for an aligned steward-ownership model, they needed to find a) investment structured according to the principles of steward-ownership and investors willing to join them on this path and b) a model to legally implement steward-ownership suitable to their situation and wishes.

Ines and Melanie decided against de facto legally implementing steward-ownership from the beginning on because they did not have the headspace and resources before their first financing round. However, they already included their step towards steward-ownership in their initial articles of association, stating their will to convert to steward-ownership in the future.

They also clearly communicated to their investors and other stakeholders that they would be transitioning into steward-ownership and carefully structured the financing process and agreements with investors in a steward-ownership aligned way: profits are capped, investors receive information and control rights instead of voting rights so that the decision-making power remains with the stewards of the company and investors have a clear path to liquidity ("structured exits" of the investors that don't result from selling the company, but from liquidity generated through their business model or in additional financing rounds).

In their first investment contracts, they also guaranteed to convert to steward-ownership in a given time after the investment was made and gave investors the right to pull back in case they didn't.

In between their two financing rounds, VYLD converted to a steward-ownership structure. They implemented the golden share model, in which the Purpose Foundation holds 1% of the company shares that ensures that VYLD will always operate in alignment with the steward-ownership principles, safeguarding the freedom for mission-driven decisions and the company's interest over time.

DESIGNING AN ALIGNED FINANCING STRUCTURE

Defining clear financing criteria

Ines and Melanie understood that as they embarked on product development, they needed significant financial support and couldn't rely on bootstrapping. However, they were also mindful of not raising more money than necessary, maintaining a frugal approach to resource management. In their pursuit of finding the right quality of investment for VYLD, Ines and Melanie put a great deal of thought into the choice of financing instrument and its potential impact, particularly in terms of the incentive structures it would result in.

From the very beginning, Ines and Melanie were determined not to build VYLD only to sell it for a quick profit. They envisioned something greater—a company with a purpose that would create lasting impact. As a result, traditional venture capital as a treadmill to hyper growth and exiting the company wasn't a path they were interested in. Instead, they explored alternative financing options early on, seeking investors who believed in their idea and were willing to take risks for the long haul, rather than those solely interested in the next unicorn exit.

“In many startups, investors hold the power with their money, often overshadowing the founders and core team, leaving them vulnerable to being outvoted or replaced. That was not an option for us.”

– Ines Schiller

With their approach to financing and also communicating their commitment to non-exit oriented financing and including their conversion to steward-ownership in their first investment contracts, Ines and Melanie have been and are working against strong narratives of the “conventional” startup investment world. They don’t want to join in and play the game of bigger, higher, better – which is why they have decided against communicating the height of their financing rounds.[4] Another reason for this is that money is very subjective with different types of startups requiring substantially different amounts of funding.

VYLD's financing journey exemplifies their determination to find investors who share their values and support their vision. Through a careful selection of financing instruments, open communication with investors, and the integration of non-equity crowdfunding, VYLD has been able to secure the necessary funding to drive their product development while maintaining control over their company's direction and setting up the path to steward-ownership.

Photo: Clemens Barth

Financing rounds with non-exploitative financing instruments

To achieve their financing goals, Ines and Melanie initially provided the capital for the foundation of the business themselves. They believed in their vision and were willing to invest their own resources to get things started. In addition to self-funding, they secured a grant by the State of Berlin that provided crucial early-stage support for VYLD's operations.

They initiated a **first financing round** in June 2021 (pre-seed) with the objective to build a commercial prototype of the Kelpon. They were able to find a group of investors ranging from (impact) investing funds to business angels and private investors. They all understood and supported their mission and their journey to steward-ownership and were willing to join and support them financially. As their financing instrument, they opted for using subordinated loans[5] and developed their first own non-exploitative financing contract with which investors will receive a capped but risk-adequate return if the company is successful. However, Ines and Melanie encountered a hurdle with their initial approach of using subordinated loans. The characteristics of this financing instrument – even when structured in an equity-like manner – resulted in depiction of debt on their balance sheet. This provided the potential for deterring funding agencies, state funding and banks from providing grants or additional loans due to the perceived over-indebtedness, even though it did not reflect the real situation of VYLD. Recognizing the need to present a more favorable financial picture, they strategically transitioned to a different financing instrument. Together with their lawyers, they managed to create a contractual financing structure that was recognized as equity in their balance sheet. They designed this instrument based on profit participation certificates and named it the Future Profit Partnership Agreement (FPPA)[6]. They converted the subordinated loans from the first financing round into these FPPAs and closed the **second financing round** in October 2023 accordingly. This conversion not only reclassified the received capital as equity rather than debt but also afforded them the opportunity to address formal improvements in the contract.

Footnotes on following page

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Last but not least, the FPPAs also answered another important challenge for VYLD as it equipped them with an instrument which can be constantly used to potentially get additional investors on board if need be. The first structure they opted for demanded to negotiate the relative amount of co-determination rights given to investors per round. In the FPPA, the amount of those rights per investor is coupled to the amount invested in relation to the overall invested capital. This provides them with the liberty and flexibility to raise additional capital independent of traditional funding rounds.

This change facilitated better compatibility with grant money and bank loans, aligning with their long-standing goal of establishing a scalable financing approach.

> *The financial return is very attractive, while at the same time the instrument is patient, flexible and – most importantly – capped so that VYLD's profits can be used for further impact.*
>
> – Ines Schiller

Overview of the Future Profit Partnership Agreement (FPPA)

The FPPA designed by VYLD is a mezzanine instrument combining equity and debt character based on profit participation certificates. It has the following characteristics:

- Participation in profit rights without voting rights
- Subordinated risk capital: if the company is profitable, the investor makes adequate returns, if it isn't, nothing is paid out ➝ the investor shares the risk similar to conventional equity.
- Structured redemption of investment: the profit participation ends when the predefined multiple of the investment is reached or after maximum term.
- Tradable: Termination of the profit participation certificate is impossible, but selling the certificate is possible, allowing for an alternative path to liquidity for the investors.
- Representation of the different risk levels over time by adapting the terms for investor return

Details of the Future Profit Partnership Agreement

- FPPA redemption principles: Structuring the investor return and path to liquidity for investors
  - They settled a predefined multiple of investment, a sum X that the investors will receive in return for their initial investment if the company is successful.
  - There is an additional option for VYLD to over-fulfill the agreement with investors if it goes very well ("Blockbuster-kicker").
  - At least 35%+x of the annual net profit is automatically distributed to investors.
  - VYLD can use more at its discretion to accelerate the redemption.
  - Investors and VYLD can jointly suspend repayment if necessary for the company.
  - The redemption (paying back investors) starts as soon as accumulated net income is available.

[4] They are happy to share their investment rounds with other startups if asked to help them on their journey. [5] German: Nachrangdarlehen: A subordinated loan is a financing instrument belonging to the family of mezzanine capital. It is a loan that is only paid back after all other debts have been paid. For more details on the concrete structure of the subordinated loans, see the term sheet. [6] Profit-sharing certificates ("Genussscheine" in German), are a hybrid financial instrument that combines features of equity and debt. They represent a contractual right to participate in the profits and success of a company, similar to a dividend, while also carrying some characteristics of debt, such as a fixed term and a fixed interest or profit-sharing rate.

- Redemption waterfall:
  - First, the principals (initial investment amount) of all investors will be paid back.
  - Secondly, the multiples of investments will be covered.
  - The profit distribution is structured pro rata
- If the multiple of investment is not repaid after 10 years, 90 percent of profits are automatically paid out to investors plus 5 percent interest paid on outstanding amount.
- Founders receive analogously capped participation ("founder compensation").

- FPPA Investor Involvement: Structuring the investor-startup relationship
  - Investors are involved in VYLD through an investing committee in the advisory board.
  - Investors receive unlimited information rights similar to shareholders.
  - The principles of steward-ownership are guaranteed by the golden share model
  - Investors receive limited co-determination rights in specific questions/ cases:
    - The co-determination rights are distributed according to amount invested.
    - Co-determination rights are executed in the investing committee which is part of the advisory board. If VYLD wants to raise more than 10% (compared to balance sheet) new equity or equity like capital the investing committee has to consent as raising further capital would dilute the investors' own position.

Please find the full template of the FPPA here.
This template and the resources, effort and time put into it is based on the work of VYLD. A large thank you to the team of VYLD for making this template available.

Payout structure
To ensure transparency and fairness, the process governing the payout arrangements was established from the outset. The repayments and interest payments of VYLD are structured following a waterfall model: first, the principal sums (investors and founders) of all investments are repaid (tier 1), then the multiples of the investments (tier 2) are paid to investors and founders.

Tier 1: The repayment of principals is structured using a pro-rata distribution system: The principal of all investors (including the founders) was aggregated and divided proportionally among the contributions. Repayments are then awarded to the individual investors and founders once distributable net income is available – in the rate proportional to the initial investment.

Tier 2: Once all principals are repaid, the returns on investments will be awarded from distributable net income. The contracts regulate that 35 + X percent of profits will be paid out to investors until their cap is reached and 10 percent can be paid to founders until their cap is reached.

Photo: Hendrik Gergen

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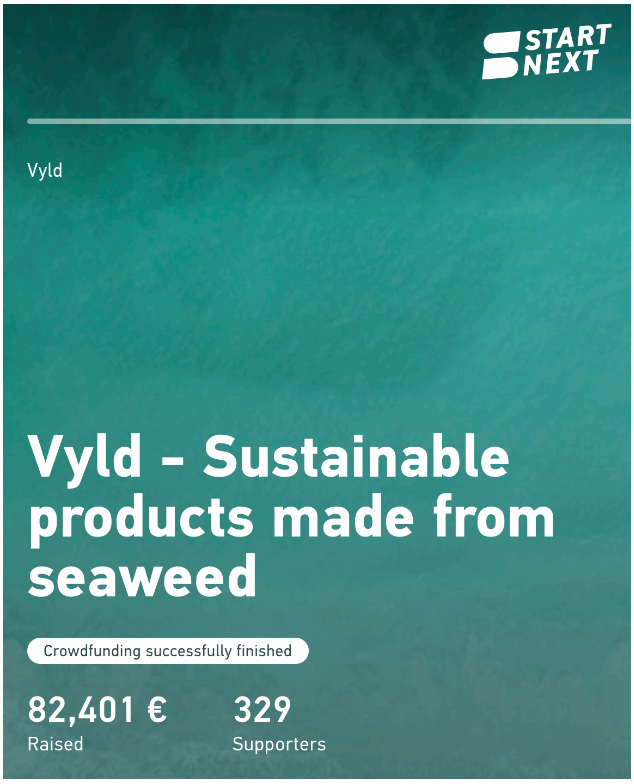
Non-equity crowdfunding campaign

In between the financing rounds VYLD successful executed a non-equity crowdfunding campaign in September 2022. With the help of the community they were able to raise the funds for starting the production of the first Kelpons.

They had two primary motivations for using crowdfunding in their second financing round. Firstly, they wanted to explore alternative forms of financing and see what else was available beyond the typical investor-startup relationships. Secondly, they aimed to involve the community in the development of their products, recognizing the importance of engaging consumers early on. Crowdfunding emerged as an ideal means to achieve both objectives. They decided on reward-based crowdfunding instead of crowdinvesting (or equity-based crowdfunding), meaning that instead of receiving financial return on the capital put in, the crowd receives products or other rewards depending on their preferences and capital funded such as posters, branded bags, workshops or a big thank you.

> *What kind of products and by whom they are developed and produced has an enormous impact on all our lives and the planet. The "how" is as important to us as the "what" – we want VYLD to grow as sustainably as our algae. That's why we transitioned VYLD into steward-ownership. That means our profits can't be extracted but go directly back into our mission. That's why we don't raise traditional startup funding designed for extremely fast, unsustainable growth and shareholder value. We also want to find healthier ways in our funding.*
> *Crowdfunding was one of them.*

- VYLD in their crowdfunding campaign



Source: https://www.startnext.com/en/vyld-meeresalgentampons

Why VYLD did not use shares as an instrument

Ines and Melanie made a conscious decision not to use shares for investors and instead opted for using contract-based alternative financing, even though a certain kind of shares would have also been possible for steward-ownership aligned financing. This decision was driven by both practical and philosophical reasons.

From a practical standpoint, using shares felt too close to the conventional model and would have made it more challenging for them to effectively communicate the unique aspects of their approach to stakeholders. Even when shares are used in a steward-ownership aligned way (redeemable, capped, without voting rights), they are immediately perceived and labeled as “shares” and “equity” and are considered to hold the same qualities as conventionally structured shares.

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Investors dealing with shares are used to receiving voting rights and to liquidize their investment by selling shares. This would have made the conversation difficult from the beginning on by setting a misleading anchor.

By utilizing a completely different financing instrument, they were able to clearly differentiate these kinds of investments from traditional equity investment with voting rights. This opened the door to an actual conversation about the concrete contractual agreements as well as the necessities of investor and company instead of being trapped in a conversation and negotiations influenced by conventional (venture capital/ VC) narratives. The clear communication of their intentions allowed them to steer the conversation in the direction that truly mattered for VYLD's vision and purpose.

On a philosophical level, Ines and Melanie considered the narrative for their company and preferred the one in which the company "is not for sale", rather than waiting to buy back shares from investors as would have been the case with redeemable non-voting equity.[7] This approach aligned with their vision of creating an independent and self-determined entity.

> *Steward-ownership benefited our funding. It is a concept that we can refer to and the most important function for us is that it serves as a filter when we talk to potential investors or other people who are somehow interested in VYLD.*
>
> – Ines Schiller

Investors as partners and enablers

Besides choosing the most fitting financing instruments, the selection of investors was a crucial aspect of VYLD's financing strategy. They sought investors who not only understood and appreciated their unique approach but also aligned with the principles of steward-ownership. Steward-ownership served as a filtering mechanism, helping them identify aligned investors. Ines and Melanie believed that investors should trust the stewards to make decisions because they were closer to the business and had a deep understanding of its intricacies.

Throughout the financing process, VYLD carefully selected investors who shared their values and exhibited a collaborative and relationship-based approach. They recognized the importance of compatibility and enjoyable interactions, as they would be spending a significant amount of time with their investors. While the voting rights remain with the company as stewards of the company, the investors actively share thoughts and ideas which can are taken into consideration by VYLD. But the ultimate decision lies with the stewards and not funders. Their relationship is characterized by mutual appreciation, trust, and open communication.

VYLD's investors include investment funds, business angels and private investors such as Purpose Ventures, The Case for Her, Impact Shakers, Viva con Agua, business angels Janina Weingarth, Uwe Seider, Sebastian Klein, Christian Kraus, Wilfried Gillrath, Stephan Breidenbach, Kai Viehof, Johanna Wiese, Nils Langemann and Frank Sippel. They are enthusiastic about supporting VYLD's vision and are supportive of the steward-ownership model.

[7] As an example for the latter, see the case study of Sharetribe: purpose.ag/sharetribe

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FOUNDER COMPENSATION

Founder compensation: principal and cap

In the pursuit of an entrepreneurial journey, founders also make significant investments in terms of financial contributions, effort, and dedication. In many conventionally structured organizations, this initial risk and effort is compensated by liquidating the value of the company through an exit of the founders. While this was off the table for Ines and Melanie, they still recognized the value of their own contributions and the risks they took in founding VYLD. So they sought a compensation structure that would fulfill their wishes whilst at the same time felt adequate from the perspective of the company, stakeholders and investors. The founder compensation also needed to be aligned with the principles of steward-ownership.

Photo: Jonas Strassburger

Like investor returns, founder compensations need to have a limit in some way (through a predefined or to be defined model, a fixed time or amount, ...) to be aligned with steward-ownership. This limit serves as a point beyond which the founders will not have any further financial claims to the value and success of the company.

> *When I understood that people build startups for an exit, I was shocked. I think it's crazy that someone would go through all that work just for money.*
>
> – Ines Schiller

Ines and Melanie decided to approach founder compensation similar to the way they treated financial investments. Their founders' principal (1) represents one year of universal basic income. They then asked themselves the questions which multiple/ cap felt good and is enough (2) for a return for this founder's investment in relation to what they put in the company. They calculated their founder compensation to provide a basic income for the "rest of their lives" (a predefined amount of years), aiming to free themselves from dependence on wage labor. Any surplus financial value generated by VYLD beyond the capped compensation will not benefit the founders or their families. In contrast to voting rights, until the cap on founder compensation is reached, claims from the founder compensation are treated as an investment in the company, and will be inheritable to take care of families for whom otherwise security would have not been built up during the founder's time at VYLD.

VYLD'S GOLDEN SHARE MODEL

In their own intention, their communication with investors and partners as well as in the articles of association and financing structure and contracts, Ines and Melanie had made a commitment to steward-ownership from the very beginning. At the end of 2022, they went onto building the legal structure that would legally enshrine steward-ownership. For the implementation of steward-ownership, Ines and Melanie have opted for the golden share model, because an official legal form does not exist in Germany, yet.

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In the golden share model, the principles of steward-ownership are written into the statues of the operating company. The model entails the existence of distinct shares, each carrying unique rights such as voting, dividend, or veto rights, to secure the upholding of the principles of steward-ownership.

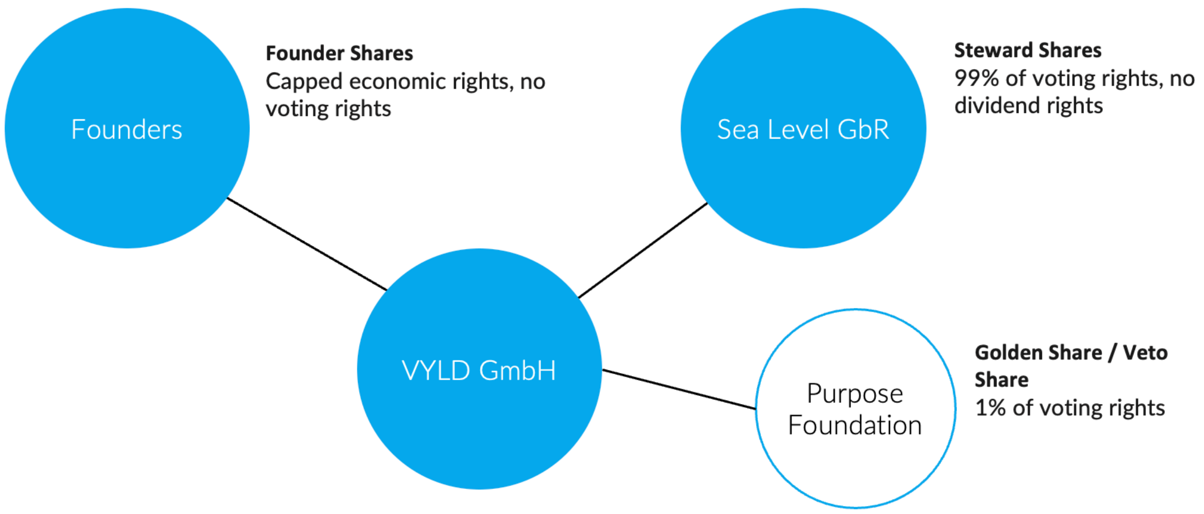
VYLD's golden share model has three different types of shares:

1) **Golden share (A share)**: A golden share with 1 percent of the voting rights (veto right) ensures compliance with the steward-ownership principles laid down in the statutes.

2) **Steward shares (B shares)**: Shares with voting rights, but without dividend rights or participation in liquidation proceeds.

3) **Founder shares (C shares)**: Shares with capped economic rights but without voting rights and to be only held by the founders Ines and Melanie for their founder compensation. C-Shares will be determined/ not exist anymore once the founders are compensated in full.

> *Steward-ownership makes it easier for us to communicate our commitment to reinvesting and preserving voting rights for those actively involved and taking on responsibility. It's not a crazy idea. It actually comes from thinking from a company's perspective. We thoughtfully designed VYLD from the beginning with this in mind because we want to ensure that no one even entertains the idea of changing our course.*
>
> – Ines Schiller



Source: Own Illustration

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Steward shares

To ensure that decisions are always made by people who are actively involved in the company, the Sea Level GbR[8] was founded. It serves as a holding entity holding 99% of the voting rights of VYLD and was set up to foster and enable employee participation. The objective of this entity as stated in the preamble "is exclusively the holding and administration of B-shares of VYLD GmbH for the purpose of the entrepreneurial participation of the employees in the management of the company. It is not the purpose of the GbR to profit economically from the shares, since B-shares do not grant any distribution or liquidation rights. The responsibility for the fate of VYLD is placed in the hands of the partners of the GbR. In this respect - and because the GbR embodies 99% of the voting rights of the GmbH – the GbR prepares the decision-making on the level of the GmbH and thus de facto shifts the responsibility of the shareholders' meeting of the VYLD GmbH to the shareholders' meeting of the GbR."

In the future, the Sea Level GbR aims to have a maximum of five stewards. Membership in the GbR will be open to employees who have been working for VYLD or were actively involved in the company's management for at least one year. This ensures that ownership of voting rights is tied to active participation at VYLD. The CEO(s) of VYLD as well as the founders are automatically included as members of the GbR. For other employees who wish to join, the process begins with a proposal for their inclusion, which can be initiated by themselves or others. The existing members of the GbR then vote on the proposed inclusion, ensuring a collective decision-making process. The GbR follows the "naked-in naked-out" principle, meaning that no capital contribution is required or returned upon entry or exit as a member of the organization. This inclusive approach further ensures that individuals who are eager to take on responsibility have the opportunity to do so without financial barriers.

> *"You don't have barriers as in other companies where you have to buy your way in, where you have to provide the value of the company shares. Everybody can take responsibility very easily."*
>
> – Ines Schiller

Golden Share

The remaining 1 percent of the voting rights are held by the Purpose Foundation as a safeguarding entity. It can exercise its right to veto any decisions or actions that may undermine the principles of steward-ownership, ensuring that they are upheld in the long-term. The decisions for which this vote is needed are clearly defined in the articles of association. The power the Purpose Foundation holds is limited to those aspects. It shall and can not interfere with the companies decision and future in any way above the upholding of the principles of steward-ownership.

Please find the articles of association for VYLD GmbH and the Sea Level GbR here.

Photo: Clemens Barth

[8] German legal form: Gesellschaft bürgerlichen Rechts, a partnership

Case Study

STEWARD-OWNERSHIP FOSTERING COLLABORATION

Steward-ownership leverages another potential for VYLD by facilitating collaborations and mutual support with other (steward-owned) companies, even with potentially competing companies. It ensures that the generated profits from collective work or from promoting other organizations cannot be extracted by individuals for personal gain. This approach allows VYLD to build partnerships based on shared values, a common mission, and mutual commitment to long-term orientation. For example, VYLD collaborates with Goldeimer, a German steward-owned organization seeking to revolutionize the sanitation sector, in jointly developing a eco-friendly diaper made from seaweed (“Dyper“). In a conventional narrative and world both would rather compete and not collaborate so effortlessly and based on trust. VYLD also initiated a collaboration with Einhorn, a steward-owned manufacturer of condoms and period products (an obvious competitor in the traditional narrative) with the goal to join forces, combine their different specialities and make use of potential synergies.

> “*Knowing that the other company is steward-owned too can create a strong foundation of trust, as both parties are confident that no one can exploit the collaboration for personal enrichment. Instead, our shared goals and values drive us forward, ensuring a focus on objectives beyond individual gain. This paves the way for a meaningful and purpose-driven partnership.*”

– Melanie Schichan

Photo: Vyld

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THANK YOU!

BMW Foundation
Herbert Quandt

The BMW Foundation Herbert Quandt promotes Responsible Leadership and inspires leaders worldwide to work toward a peaceful, just, and regenerative future. Through our activities, we aim to advance the goals of the UN 2030 Agenda. With its cross-sectoral, cross-industries approach, the Foundation sees its potential in bridging the gap between different stakeholder groups to accelerate the operationalization of decarbonization and carbon removal technologies. Through the series of workshops that resulted in this report, the Foundation wants to develop a collective understanding of which intersectoral market-making mechanisms and funding models can help in the transition to net-zero emissions, including an overview of promising innovation partnerships and market-making mechanisms, and how we can implement these solutions at scale.

For more information please visit: https://bmw-foundation.org/en/

READ ON

Learn more about VYLD and their journey on their website, in articles, and podcasts.

Company Information

- VYLD – FAQs https://www.vyldness.de/faqs-english (EN)
- VYLD – Press Releases www.vyldness.de/press (EN, GER)
- VYLD – Crowdfunding Project on Startnext (EN, GER) https://www.startnext.com/en/vyld-meeresalgentampons https://www.startnext.com/vyld-meeresalgentampons

Podcasts and conversations

- Ines Schiller and Tanja Wente from Goldeimer: What is steward-ownership and why did you implement it? (GER) https://www.instagram.com/tv/ChsBx4ojgX_/?igshid=YmMyMTA2M2Y%3D
- Better menstruating and saving the ocean – how VYLD is driving the algae revolution Business Talk Sofa Show with Anja Hermes (GER) https://open.spotify.com/episode/7siWfnYFK9J4bbvQFjhOD0?si=94ff272dacea4d50&nd=1
- EP.2: Can the World's First Seaweed Tampon Save the Ocean? – Seaze (EN) https://open.spotify.com/episode/3sznBUUe4Oz4TKVBfaeXFT?si=jdibRWbdSgOnW2VJLAEzYQ&nd=1

Articles

- Raising money as a steward owned startup (EN) https://theconsideredclub.substack.com/p/raising-money-as-a-steward-owned
- Enter the kelpon: Vyld raises pre-seed funding for seaweed tampon (EN) https://sifted.eu/articles/vyld-sustainable-seaweed-tampon
- Vyld Closes a Pre-seed Round to Take Its Seaweed-Made Tampons Into Mass Production. (EN) https://femtechinsider.com/vyld-pre-seed/
- Vyld Secures Seven-Figure Funding for Seaweed-based Women's Health Products Using Novel Financing Model (EN) https://femtechinsider.com/vyld-funding-round/
- This German Women-Led Startup Just Closed A Seed Round To Make Periods More Sustainable With Seaweed Tampons (EN) https://www.greenqueen.com.hk/amp/vyld-sustinable-menstruation-products/
- 10 Reasons Vyld is the Startup to Watch 2023 (EN) https://www.linkedin.com/pulse/10-reasons-vyld-startup-watch-2023-naomi-ryland/
- Steward-ownership: How companies should become greed-free (GER) https://www.business-punk.com/2023/01/verantwortungseigentum-so-sollen-unternehmen-gier-frei-werden/
- The tampon revolution from the sea (GER) https://www.business-punk.com/2023/04/die-tampon-revolution-aus-dem-meer/

Statutes, contracts and templates

- In this folder by VYLD, you can access VYLD's statutes, financing contracts as well as the Future Profit Partnership Agreement (FPPA) template.

Photo: Jonas Strassburger

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NO LEGAL ADVICE

The content of this case study does not constitute or replace legal advice. The information herein is intended only to inform and inspire further practical legal research on steward-ownership. The legal considerations referred to throughout this case study may not be relevant for all existing or prospective steward-owned entities. They also do not exhaust the range of considerations legal practitioners must address when advising on steward-ownership. Anyone seeking to implement principles of steward-ownership into their business's legal corporate structure should seek legal advice and consult a lawyer in their relevant jurisdiction.