Innovative Finance INITIATIVE

An output of the Impact Exits Mission

Impact Exits: Entrepreneur Playbook

A note on scope: this playbook is written for founders and entrepreneurs who have taken on outside equity investment and are beginning to think, or have been asked to think, about what happens when that investor eventually leaves. It draws on the same framework as the investor playbook, but from a different seat at the table. The questions are the same. What they mean for you is not.

Contents

A guide to the questions this playbook walks through, in the order they're meant to be asked.

01 **Introduction** 2

02 **Part 1: Why Is an Exit Being Considered?** 4

03 **Part 2: What Is Your Role?** 14

04 **Part 3: Who Benefits, Decides, and Protects?** 20

05 **Part 4: How?** 28

06 **Closing: Whose Exit Is This, Really?** 37

INTRODUCTION

At some point, your investor is going to leave.

Maybe not soon, maybe not for years, but the capital they put into your company came with an expectation of return, and that expectation will eventually require a transaction. Redeemable equity gets redeemed. Revenue-based payments get repaid. Fund lives end. And when they do, someone has to decide what happens next: who owns your company, who benefits from it, who holds power over it, and whether the thing you built is still recognisably itself.

Most founders don't think about this until they have to. The exit feels like a future problem, something to deal with when the clock runs out, with whoever is in the room and whatever options are still available. But by the time the conversation becomes urgent, many of the choices have already been made: the cap table you agreed to in year two, the drag-along rights in the term sheet, the governance structure that made sense when you were raising your first round. These decisions, made in the excitement of early growth, shape what is possible at the end.

This playbook exists because you deserve to think about this now, while you still have optionality, and the energy.

Not because the exit is coming, though it is, but because the questions the exit forces are actually the most important questions you can ask about your company at any stage. What is this really for? Who should benefit from what you're building? What do you want to still be true about this enterprise when you're no longer the one running it? These are not technical questions but the questions that define what kind of company you are building, and the exit is one of the moments when you get to answer them in a way that sticks.

This playbook is organised around the same four questions as the investor playbook: why, what, who, and how. The answers look different from your seat.

Why is an exit being considered? Sometimes this is your decision, sometimes it is your investor's, and sometimes it is something the two of you are figuring out together. Where you are in that conversation, and how much agency you have in shaping it, depends on your capital structure, your relationships, and the choices made when the investment was first agreed. Understanding your starting position is the first step.

What is your role in the transition? You are always the central character in your company's next chapter, but the role you play in designing that chapter varies. Are you the one driving the transition, clear about what you want the company to become? Are you being invited into a conversation you haven't yet started? Or are you trying to protect the company's continuity while managing an investor's need for liquidity? Each situation requires something different from you.

Who benefits, decides, and protects? When your investor exits, who ends up owning your company, and what do they do with it? Who holds the power to make decisions about its future? And what, if anything, ensures that the mission you've been building toward survives the transaction? These questions apply whether you are planning a major ownership transition or simply trying to buy out a single investor, and they are worth asking explicitly, since the default answers are rarely the best ones.

How does the exit actually happen? The financial mechanics matter, not just for the investor, but for you. A redemption structure that asks your company to pay back capital over time has very different implications for your cash flow, your governance, and your options than a sale that brings in a new shareholder. Understanding the methods available, and what each one means for the company you are trying to build, is part of designing an exit that works for everyone.

One thing this playbook will not do is tell you what the right outcome looks like. Selling your company for a life-changing return is a legitimate and honourable choice, and so is structuring a transition that puts it in the hands of your employees, and so is buying out your investor through a revenue-based repayment and continuing to run the company exactly as you have been. What this playbook offers is a way of thinking through those choices before the clock runs out, so that whatever you decide, you decided it.

What this playbook doesn't cover: the decisions that shape your options at exit are mostly made earlier, at the term sheet stage, during board conversations, and when you first agreed to governance structures and investor rights. If you are currently raising capital and thinking about how to build exit-friendliness in from the start, that is addressed in a separate companion piece. This playbook starts where many founders find themselves: capital already raised, investors already in the room, and the question of what comes next beginning to feel real.

The Playbook at a Glance

Four questions, asked in order. The exit should be designed from left to right.

01 WHY?
Your Company's Next Chapter

- A You are actively planning a transition
- B A transition might be right, not started yet
- C You want to keep running the company
- D Your company needs capital, investor's position is in the way

02 WHAT?
Your Position in the Transition

- Founder-led transition
- Active participant in a conversation someone else started
- Protecting what you've built while managing the exit

03 WHO?
Who benefits, decides, and protects the mission?

- Who benefits?
- Who decides?
- Who protects the mission?

04 HOW?
The Exit Method

- Repay or buyback over time
- Buyout at a point in time
- Give away or write off
- Combination

PART 1: WHY IS AN EXIT BEING CONSIDERED?

Your Company's Next Chapter

The exit conversation starts somewhere. Sometimes you start it, sometimes your investor does, and sometimes it begins with a fund life deadline, a board conversation, or a quiet question from someone who has been watching the company long enough to wonder what comes next.

Where the conversation starts shapes everything about how it goes, and the first thing worth knowing is that you are not just a participant in this conversation. You are its most important voice. This is your company, your next chapter. The investor will leave, and you, or the people and structures you put in place, will stay. That asymmetry matters, and a good exit process honours it.

There are four situations you might find yourself in. They are not ranked, and none is more admirable or more impact-enhancing than the others by definition. What matters is being honest about which one is true for you.

Four situations, none more admirable or more impact-enhancing than the others by definition.

	SITUATION A	SITUATION B	SITUATION C	SITUATION D
	You are actively planning a transition	***A transition might be right, not started yet***	***You want to keep running the company***	***Your company needs capital***
What it looks like	You have a vision, whether employee ownership, a steward	You haven't made decisions yet. Maybe someone	Your company is working. You want to keep running it.	Your company needs working capital, growth financing, refinancing, or

	SITUATION A	SITUATION B	SITUATION C	SITUATION D
	structure, a community transfer, or a mission-aligned acquisition, and you are actively working toward it. The investor exit needs to fit your plan.	else raised the question. You have time to think, but not unlimited time.	You need a way to return the investor's capital without losing control of what you've built.	a balance sheet reset, and your existing investor's position, their liquidation preference, their stake, their terms from an earlier round, is part of what's standing between you and that capital arriving.
Your job	Be clear about what you want, specific enough to articulate to investors, advisors, and your team. Vague intentions won't hold a transition together.	Start thinking. Not to have the answer, but to take the question seriously. Separate the question from the pressure.	Understand your options and negotiate from clarity. Know what cash flow you can realistically support. Don't over-promise on timeline.	Negotiate your existing investor's exit, or their willingness to subordinate, convert, or step back, as part of getting the capital your company needs. Be honest with them about why. Don't let urgency erase what they're legitimately owed.
Your power	Highest: you are the author of this chapter. The investor exit should be designed around your transition, not the other way around.	Depends on how early you engage. The earlier, the more optionality. Deadline pressure narrows everything.	Focused on method. Revenue-based repayment, redeemable equity, and negotiated buyback are tools that exist precisely for this situation.	Constrained, but real. The range of options is narrower than in A, B, or C, and the realistic choices are often a comparison between imperfect paths rather than a clearly good one. You still have more say in how this is framed than you might assume.
Key tension	The gap between transition timeline and investor's fund life. Be honest about this early; don't let urgency rush the transition.	Pressure versus genuine exploration. You are allowed to say no. "I want to keep running this company" is a complete answer.	Your cash flow versus the investor's timeline. Agree to what the company can actually support, not what feels easier to say yes to.	Your company's need for capital versus your existing investor's legitimate claim on their position, and the risk that the new capital that saves the business comes from someone far less aligned with your mission than the investor who is stepping back.

Situation A: You are actively planning an ownership transition

You have been thinking about this for a while. Maybe you want to transition ownership to your employees, the people who have built this company alongside you and deserve a stake in what it becomes. Maybe you want to move to a steward ownership structure that protects the mission beyond your own tenure. Maybe you want to transfer the enterprise to a community organisation or a foundation, or restructure it so its profits serve its purpose in perpetuity rather than flowing upward to shareholders. Or maybe your vision doesn't involve holding onto ownership at all, since you've identified a strategic acquirer whose capabilities, distribution, or mission truly extend what you've built, and a sale to them, on terms you helped design, is the transition you're working toward.

Whatever form it takes, you have a vision for the next chapter, and now you need to figure out how to get there, including what to do with your investors.

This is the situation with the most creative potential. When you know what you want the company to become, the investor exit can be designed to support that transition rather than disrupt it. The method your investor uses to recover their capital can be the same mechanism that finances the new ownership structure, and the governance conversation that needs to happen as part of the investor's exit is the one you were going to have anyway. You just have a partner in it now.

But it also requires your investors to be truly on board. A transition to employee ownership or steward ownership is not something you can impose on an investor who has drag-along rights and a different vision for the exit. The earlier you have been honest with your investors about what you want the company to become, the better your chances of designing a transition that works for everyone. If this is the first time you are raising it, the conversation may be harder, but it is still worth having.

A note on acquisitions: an acquisition can be a Situation A transition too, worth naming directly, since most exit guidance treats acquisition and mission-aligned transition as opposites, as though you either sell for the biggest number or build something more deliberate, and that is a false choice. What makes an acquisition a Situation A transition, rather than something that happens to you, is the same thing that defines Situation A everywhere else: agency. Are you the one identifying and evaluating acquirers, or are you responding to an offer that arrived on someone else's timeline? Are you negotiating for what happens to the company after close, or just for the price?

If you are actively designing toward an acquisition, integrating impact means treating buyer selection as a real filter rather than a formality. That means thinking about what this acquirer has done with companies it has bought before, whether their track record matches what they're telling you now, and whether your team, product, and community relationships will be strengthened by their resources or gradually dissolved into their existing structure. It means negotiating protections into the deal itself, before it closes and your leverage disappears: employment commitments for your team, continuity commitments for the programmes or communities your company serves, and reporting mechanisms that let someone see whether those commitments are kept after you're no longer running the company. It also means being realistic about what those protections can and cannot do. As Part 3 discusses, transaction-level covenants are real but time-limited, so if the mission matters to you beyond the transition itself, the acquisition is the moment to ask whether any structural protection is available, not just a covenant that expires in three years.

What it means for you: your job in Situation A is to be clear about what you want, clear enough to articulate it to your investors, your board, your employees, and the legal and financial advisors who will help you structure it. Vague intentions about wanting a good exit are not enough. Who specifically should own this company? On what terms? With what governance? With what protections for the mission? The more precisely you can answer those questions, the more you can shape the process.

The honest tensions: the most common tension in Situation A is the gap between the transition you want and the return your investor needs. A gradual employee buyout over five years is a wonderful outcome for the company, and it may be a difficult outcome for an investor with a fund life ending in eighteen months. That tension is real, and it does not always resolve in the company's favour. Being honest about it early, before the pressure of an imminent deadline, gives everyone the most room to find a creative solution.

A second tension is the risk of over-promising to employees or community stakeholders before the investor conversation has happened. If you have been telling your team that the company will eventually be theirs, and your investors have different expectations, you are carrying a commitment you may not be able to honour. Better to have the investor conversation first, or at least in parallel.

Situation B: A transition might be right, but you haven't started the conversation yet

You haven't made any decisions. Maybe you haven't thought that far ahead, or maybe the question feels too large or too uncertain to open. Maybe you have a vague sense that something like employee ownership or mission protection is right for this company, but you haven't sat down to work through what that would actually mean.

Or maybe someone else, an investor, a board member, a peer founder, has raised the question with you, and you're not sure what to do with it.

This is the most common situation, and it is also the one where this playbook can do the most work. The question of what you want for your company's future is one that founders often defer, not because they don't care, but because it feels less urgent than the next funding round, the next product launch, the next hire, and then the investor's fund is ending, the options have narrowed, and the conversation happens in a rush.

The value of Situation B is that you still have time. Not unlimited time, since the investor's timeline is real and will eventually shape yours, but enough time, if you use it, to think carefully about what you actually want, explore the options available to you, and have the conversations that matter before the pressure is on.

What it means for you: in Situation B, your most important job is to start thinking. Not to have the answer, but to take the question seriously enough to explore it. Talk to founders who have done ownership transitions. Talk to legal advisors who know what structures are available in your jurisdiction. Talk to your employees, if the relationship is one where that conversation is possible. And talk to your investors, not to commit to anything, but to understand what flexibility exists within your capital structure and what your investors would actually support.

> **The honest tensions:** the most important tension in Situation B is the difference between a genuine exploration and a performance of one. If your investor is pushing the transition question and you are engaging with it because you feel you have to, rather than because you are curious, the process will feel hollow, and the outcome will reflect that. The question of what you want for your company's future deserves a real answer, not a diplomatic one.
> A second tension is the power dynamic. If the investor is the one raising the transition question, it is worth asking yourself, honestly, whether you feel free to say no. A genuine exploration requires that "I want to continue as is, and I'd like to find a way to buy you out" is as valid an answer as any other. If it isn't, you are not in an exploration. You are in a negotiation with a predetermined conclusion, and you should know that.

Situation C: You want to keep running the company, and you need to manage your investor's exit

You are not planning a transition, and you are not thinking about employee ownership, steward ownership, or community acquisition. You built this company, you are running it well, and you want to keep doing that. What you need is to find a way for your investor to get their capital back without losing control of what you've built or destabilizing the company in the process.

This is a completely legitimate situation, and one the impact investing field does not always honour as such. There is sometimes an implicit pressure on mission-driven founders to want a transition, to want their company to outlast them in some formal structural sense, to want the exit to be a grand act of impact design. That pressure is not fair. Your company does not owe your investor a beautiful story about a community buyout. It owes them a return, as agreed, and if your mission is intact, your team is committed, and your company is doing what it was built to do, finding a clean way to pay back your investor while you keep running it is an entirely good outcome.

What you need in Situation C is a method. Revenue-based payments, redeemable equity, and a negotiated share buyback over time are tools designed precisely for this situation. They allow the investor to recover capital without requiring a sale, without bringing in a new shareholder whose values you don't know, and without forcing a transaction the company isn't ready for. Understanding which of these is available to you, given your cash flow, your capital structure, and your investor's timeline, is the practical work of Situation C.

What it means for you: your job in Situation C is to understand your options and negotiate from a position of clarity about what you need. What cash flow can the company realistically support for a repayment? What timeline does your investor actually need? What rights do they hold that shape what's possible? And what, if anything, are you willing to offer in exchange for a patient exit: board representation, reporting rights, or a referral to your next raise?

The cleaner and more transparent this conversation is, the better the outcome tends to be. Investors who feel respected in their exit are far more likely to be flexible about the terms of it.

> **The honest tensions:** the primary tension in Situation C is cash flow. A revenue-based repayment or share buyback requires your company to generate the capital to fund it, and if that cash flow is uncertain or constrained, the timeline becomes unpredictable for both parties. Being realistic about what the company can actually support, rather than optimistic about what you hope it will generate, is the foundation of a workable exit plan.
> A second tension is the investor's fund life. If their clock is running faster than your cash flow allows, you may need to explore options beyond a simple repayment, such as a secondary sale of their position to another investor, a partial write-down, or a combination of methods. None of these is simple, and all of them require your investor to be a genuine partner rather than just a creditor.

Situation D: Your company needs capital, and your investor's position is in the way

Not every liquidity conversation starts with your investor wanting out. Sometimes it's the opposite: your company needs capital, whether working capital to get through a hard stretch, growth capital to seize a real opportunity, refinancing to replace debt that's coming due, or a balance sheet reset after a period of strain, and the thing standing between you and that capital is your existing investor's position on the cap table.

This is a different situation from Situation C. There, your company is healthy and stable, and it's your investor's own timeline, fund life, or LP obligations that create the need for them to exit. In Situation D, your company's own need is the driver. A new investor may be willing to provide the capital you need, but only if the cap table is simplified, if existing liquidation preferences are renegotiated, if your current investor converts, subordinates, or steps back, or if board composition changes to make room for the new capital. Your existing investor's exit, in whole or in part, isn't something they're choosing on their own initiative this time. It's something your company's capital need is asking of them, and you are often the one who has to ask it.

What this looks like in practice varies. You might need a bridge round to reach profitability, with your existing investor base, weighed down by complex or investor-unfriendly terms from an earlier round, deterring new capital from coming in. You might be facing real financial strain where new capital is only available if your existing investor takes a haircut, converts debt to equity, or accepts subordination to a new senior investor. Or you might have a genuine growth opportunity, whether expansion into a new market or a strategic acquisition, that requires capital your existing investor cannot or will not provide, where the path forward runs through them stepping back to make room.

What it means for you as the founder: your role here is shaped by constraint more than by vision. Unlike Situation A, where you are the author of the next chapter, in Situation D you are often negotiating for something you need from someone who may have real, sometimes legitimate, reasons not to give it easily. The range of options available to you is usually narrower than in Situations A, B, or C, and being honest about that is part of doing this well. This is also often the situation where you have the least room to insist on your original vision for the company's ownership and governance, precisely because the immediate need is capital, not design.

That said, the design questions from Part 3 still matter here, arguably more, not less, when your options are constrained. Even when the realistic choice is between two imperfect financing structures, it is still worth asking who benefits from the new arrangement, who gains decision-making power as a condition of it, and whether the mission protections you've already built survive the renegotiation or need to be re-established with the new capital provider. A constrained situation is exactly the moment when those protections are most at risk of being traded away without anyone naming it, and exactly the moment when naming that risk out loud, to your board, to your existing investor, to yourself, is most valuable.

The honest tensions: the primary tension in Situation D is your company's need versus your existing investor's own position. An investor who protects their liquidation preference or ownership percentage at the expense of the capital your company needs to survive or grow is not serving you well, but investors also have real obligations, to their own LPs or their fiduciary duties, that limit how far they can flex. There is no clean resolution to this. It gets worked through case by case, and it helps to remember that a hard no from your investor is sometimes a constraint they're carrying, not a judgment on your company.
A second tension is the mission alignment of the incoming capital. The investor you're asking to step back or subordinate may have been a genuine ally, aligned with your mission and supportive in governance, while the new capital you need may come from a source with no such alignment or interest, purely financial and uninterested in anything beyond the return. Situation D can mean trading an aligned but constraining investor for capital that solves the immediate problem but weakens your mission's protection going forward. Where you can, it's worth negotiating your outgoing investor's departure in a way that preserves as much mission protection as can survive the transition, even if their own financial or governance position cannot be preserved.

A third tension, and perhaps the most common in practice, is that Situation D often doesn't offer you a good option, only a less bad one. Where Situations A, B, and C hold open genuine possibilities for the company you want to build, Situation D is frequently a negotiation between imperfect paths under real time pressure. This playbook will not pretend otherwise. What it offers here is not a promise of a good outcome but a discipline: even under constraint, ask the proper questions, name the trade-offs honestly to yourself and to the people around you, and choose the least bad option deliberately rather than by default.

A note on how situations evolve: where you are today is not where you will necessarily be in two years. A founder who is firmly in Situation C, clear that they want to keep running the company, may find, as they get older or as the company grows beyond what one person can steward, that a transition starts to feel right. A company that looks like Situation C today, healthy and under no pressure, can also arrive at a Situation D moment on a completely different timeline, since a growth opportunity or a stretch of financial strain can create a genuine capital need with no ownership transition anywhere in sight. The two are not mutually exclusive, and one doesn't cancel the other out. The questions this playbook raises are worth returning to periodically, not just when the investor's timeline forces them. The more comfortable you become with asking them, the more choices you will have when it matters most.

A Note on Understanding Your Investor's Constraints

Sometimes an investor's behavior at exit feels sudden, rigid, or hard to explain. A timeline that seemed flexible a year ago is suddenly not, or a conversation that felt exploratory starts to feel like it has a predetermined answer. It is easy, in that moment, to read this as a verdict, on the company, on the relationship, on how much the investor actually believed in the mission.

Often, that is not what is happening. Investors operate inside their own set of constraints, and those constraints frequently explain their behavior far better than anything about your company does. A fund has a fixed life, agreed years before your company was even in the portfolio, and

that life is winding down whether or not your company's story has reached a natural conclusion. LPs expect distributions on a schedule the investor does not fully control. Co-investors may have different values or different timelines than the investor sitting across from you, and their alignment, or lack of it, shapes what your investor can actually agree to. None of this is about you or your mission. It is the system your investor is operating inside, one you usually cannot see from where you sit.

This matters because a founder who understands why an investor is behaving a certain way can problem-solve with them. A founder who only sees the behavior, without the cause, tends to experience it as a personal or moral judgment, and the conversation becomes a negotiation over trust instead of a shared problem to solve.

You are allowed to ask about this directly. Questions worth raising with your investor, especially early, before pressure has built, include: what is your fund's timeline, and how much flexibility does it actually have? Are there other investors or LPs whose expectations are shaping what you can offer me? If the answer to my exit is not what either of us wants, whose decision is that, and why? A good investor will answer these honestly, since it is in their own stated interest to make their constraints visible to you rather than let you infer motive from behavior alone. If an investor is unwilling to answer questions like these, that unwillingness is itself useful information about what kind of exit conversation you are actually in.

Naming the system does not mean accepting anything asked of you without question, and "it's not me, it's the fund" can be a genuine explanation or a way of avoiding accountability for a choice the investor is still making within their own room to maneuver. But understanding the shape of the constraint your investor is operating inside, even imperfectly, puts you in a stronger position than negotiating against a behavior you cannot explain.

A Note on Distressed and Closure Situations

Everything above assumes a company that is, in some sense, standing: planning a transition, weighing one, or running well enough to keep going while an investor exits. Not every exit starts from that ground. Sometimes the company cannot hit the targets that were baked into the original plan, the runway runs out before profitability arrives, and the honest answer to "can we keep going?" is no. Sometimes there's nothing structurally wrong with the business, but you are either tired or ready for what's next, and looking for the fastest, simplest way to close things out and honour what you owe your investors.

These are not the same situation, even though they can look similar from the outside. The first is genuine distress: the company cannot sustain itself, and your options are narrower than they were, not because you're choosing narrowness but because reality has closed doors. The second is closer to founder fatigue: the doors are still open, you are choosing not to walk through them, and that is a legitimate choice, but it is worth knowing it's a choice, not a necessity, before you take the easiest route by default.

Both sit as a constrained version of Situation C. You are not planning a transition or exploring whether one is right. You have concluded, for whatever reason, that continuing to run the company as it exists is no longer the path, and now you need to manage the ending of your investor's involvement, and often the company itself, well. But distress doesn't only show up in Situation C. A Situation A transition you were actively building toward can collapse into this if the runway disappears before the transition completes, if the employee ownership structure you were designing needs another eighteen months you don't have. A Situation B exploration can be cut short the same way, with the thinking you hadn't finished getting forced by a bank balance rather than a decision. Wherever you started, distress can pull you here.

What it means for you: the instinct in a failing or closing business is to treat every remaining decision as purely financial, paying back what you can in whatever order feels least painful, and moving on. That instinct is understandable, and under real distress, financial constraint is truly the binding one. But even here, you still have decisions that are yours to make, and they still matter. How you close matters to the employees who trusted you with their time: notice, honesty, severance if there's any cash for it, and a real conversation rather than a Friday afternoon email. It matters to your investors, who are still owed transparency even if they're not owed what they hoped for, since telling them early that the numbers don't work is a better exit than letting them find out at the last board meeting. And it matters to whatever you built that has value beyond the balance sheet: a customer base, a brand, code, relationships with the community you served. A company that is closing can still choose to transfer what it can to someone who will use it well, rather than letting it be stripped or simply disappear.

If you're in the second thread, not distressed but simply done, the most useful thing you can do is be honest with yourself about which situation you're actually in. Easiest and necessary are not the same word. A traditional buyback or straightforward wind-down may well be the right call, but it's worth still asking, in miniature, the questions from Part 3: who benefits beyond the investor, who's deciding, and is there anything worth protecting on the way out. Skipping that because you're tired is different from skipping it because there's actually no room, and only you know which one is true.

> **The honest tensions:** the first is speed against care. Distressed situations compress timelines in ways that are real and not negotiable, since you may not have the luxury of a long, considered process. That doesn't mean the questions in this playbook stop applying. It means you answer them at a smaller scale, in less time, with less optionality, rather than not answering them at all.
> The second is the pull toward avoidance. A closing or failing company is not something most founders want to sit with, and there is a strong temptation to disengage, hand the process to lawyers and accountants, and treat it as something to survive rather than something to shape. That instinct is human, but it is also how the worst outcomes happen, not through anyone's bad faith, but because nobody was paying attention to anything beyond the mechanics while it mattered.

The company you built does not stop being yours to answer for just because it didn't work out the way you hoped. That is why how it ends is still, in part, up to you.

PART 2: WHAT IS YOUR ROLE?

Your Position in the Transition

Knowing why an exit is being considered is the first step. The second is understanding what role you actually play in it, and how much of that role you get to choose.

This is where the entrepreneur's experience of the exit diverges most sharply from the investor's. The investor is asking what they can do here. You are asking something more fundamental: what can you actually control? The honest answer is that it depends on your capital structure, on the rights you agreed to when you took the investment, on the relationships you have built with your investors, and on how early you are having this conversation.

Some founders have significant agency at exit. They hold majority ownership. They have supportive, mission-aligned investors who will follow their lead. They have the financial flexibility to structure a transition on their own terms. If that is you, your role is closer to the investor's financing partner or catalyst: you are the architect of your company's next chapter, and your investors are participants in a story you are writing.

Other founders have much less. Drag-along rights mean a majority investor can force a sale. A cap table full of investors with different timelines and different values, and a fund life ending, create urgency no one asked for. If that is you, your role may feel more like managing a process than designing one, finding the best outcome available within constraints you didn't fully anticipate when you signed the term sheet.

Most founders are somewhere between these two. They have some agency and some constraints. They have some investors who are truly aligned and some who are not. They have some flexibility on timing and some hard deadlines. Understanding where you actually sit, honestly, without wishful thinking in either direction, is the foundation of playing your role well.

There are three roles you might find yourself in. They can overlap, and they can evolve. Unlike the investor's roles, which are shaped primarily by structural position, yours are also shaped by something more personal: what you actually want for the company you have spent years building.

ROLE 1

Founder-led Transition

You are the author

You have a vision for the company's next chapter and you are driving the transition. The investor exit is one piece of your puzzle, not the whole picture.

Requires: specificity about what you want; vague intentions won't hold. Early, honest communication with investors. Resilience, since it will take longer than planned.

Best suited: most empowered in Situation A, sometimes D

ROLE 2

Active Participant in Someone Else's Conversation

You were invited in

An investor, board member, or peer founder raised the exit question with you. You are in a conversation you didn't initiate. You need space to think, not pressure to perform.

Requires: separating the question from the pressure. Time before committing to a direction. Honesty about where you are in your thinking.

Best suited: most common: Situation B, sometimes A or C

ROLE 3

Protecting What You've Built

You know what you want

You want to keep running the company. Your job is to manage the investor's exit in a way that protects your position and the company's integrity without disrupting what you've built.

Requires: fluency in repayment methods available to you. A realistic view of what cash flow can support. Clarity about what protections to negotiate into the exit.

Best suited: core role in Situation C, sometimes D

Founder-led Transition

You are the one driving this. You have a vision for what the company should become, who should own it, who should benefit from it, and how its mission should be protected, and you are actively working to make that happen. Your investors' exit is a piece of this puzzle, not the whole picture.

This might mean you have been building toward an employee ownership structure for years, slowly bringing your team into the ownership conversation and now ready to formalise it. It might mean you have decided the company should be restructured as a steward-owned enterprise, separating economic rights from voting rights in a way that protects the mission beyond your own tenure. It might mean you want to transfer the company to a community organisation, a foundation, or a trust that will hold it in perpetuity for its stated purpose. Whatever form it takes, you are the author here. The investors' exit needs to be designed around the transition you are building, not the other way around.

This is the most empowered position, and also the one that requires the most from you in terms of clarity, communication, and preparation. In Situation D, founder-led transition takes on a different meaning. Rather than driving an ownership transition, you may be driving the process of bringing in new capital your company needs, which can include asking your existing investor to subordinate their position, convert debt to equity, or step back so a new investor can come in. The underlying logic is the same as in Situation A: your company's capital need and your investor's position aren't simply resolved by whoever has the least leverage to resist. They're

worked out together, deliberately, with you as the one framing what the company needs and why.

What this requires from you: being clear enough about what you want to articulate it persuasively to people who may not immediately share your vision. Your investors, your board, your legal advisors, and your employees all need to understand what you are trying to build, why, and on what timeline. Vague intentions about wanting a good outcome are not enough to hold a transition together when the process gets complicated. Specificity is protective.

It requires you to understand your capital structure well enough to know what your investors can and cannot agree to. A transition to employee ownership requires your investors to exit in a way that makes the employee purchase possible, which means the method matters enormously. A redeemable equity structure that lets the company gradually buy back shares over time is a very different proposition from a trade sale that requires finding an outside buyer. Knowing what is structurally available to you is the first step in negotiating for it.

It requires early and honest communication with your investors. The worst time to tell an investor that you want to transition the company to employee ownership is when their fund life is ending and the pressure is on. The best time is years before, when you are still building, when there is optionality, and when the conversation can happen without urgency distorting it. If you already have a vision for your company's next chapter, your investors should know about it, not so they can approve it, but so that when the exit conversation comes, it is not a surprise.

And it requires resilience. Founder-led transitions are not always smooth. Investors may push back, legal structures may be more complex than anticipated, and the employees you want to transition ownership to may not yet have the financial literacy or the appetite for ownership that you assumed. The timeline will almost certainly take longer than you planned. Staying committed to the vision while remaining truly flexible about the route is the core skill this role demands.

> **The honest tensions:** the deepest tension in a founder-led transition is the gap between what you want and what your capital structure allows. If you have investors with drag-along rights and short fund timelines who do not share your vision for the next chapter, your ability to lead the transition is constrained by their ability to block it, or at least to make it significantly more difficult. The earlier you have been transparent with your investors about your intentions, the more likely you are to have chosen investors who support them. If that conversation hasn't happened, it needs to happen now.
> A second tension is the founder's own financial stake. In some cases, there is a real trade-off. In others, the economics depend on timing, structure, retained upside, tax treatment, financing design, and long-term value creation. It is worth being honest with yourself about it, not to talk yourself out of the transition, but to make the decision with clear eyes rather than discovering the financial implications midway through the process.

Active Participant in a Conversation Someone Else Started

Someone raised the exit question with you, whether your investor, your board chair, a fellow founder, or simply the calendar, and now you are in a conversation you did not initiate. Maybe you are truly interested, maybe you are not sure yet, or maybe you feel some pressure to engage in a particular direction and are trying to figure out how much of that pressure is legitimate and how much is someone else's agenda being run through your company.

This is the most common position for founders to find themselves in, and it is also the least well-served by existing frameworks. Most exit guidance is written either for founders who know exactly what they want or for investors trying to figure out how to structure a transaction. There is very little support for founders who are in the middle, being asked to make decisions about a future they haven't fully imagined yet, by people who have their own timelines and their own stakes in the outcome.

What this role requires, above all, is permission to take it seriously: to treat the question of your company's future as worth thinking about carefully rather than as a problem to be managed quickly so you can get back to running the business.

What this requires from you: separating the question from the pressure. The question, what do you want this company to become, is important and worth your full attention. The pressure, whether the investor's fund timeline, the urgency of a particular buyer, or the board's preference for a tidy conclusion, is a separate thing, and it should not be allowed to foreclose the question before you have had time to answer it honestly.

It requires you to understand what you are actually being asked. Is your investor sincerely curious about your vision for the company's future, or are they raising the transition question because it serves their impact narrative or their LP reporting? Both are possible, and they call for different responses. A genuine question deserves a genuine answer. A conversation with a predetermined conclusion deserves to be named as such.

It requires you to do some thinking before you commit to any particular direction. Talk to founders who have gone through ownership transitions, both those who are glad they did and those who found it more complicated than they expected. Talk to legal advisors who know what structures are available in your jurisdiction and what they actually require. Talk to your employees, if that is appropriate, about whether they would want ownership, since a transition to employee ownership that the employees don't actually want is not an impact-enhancing outcome.

And it requires you to be honest with your investors about where you are in your thinking. You do not owe them a quick answer, and you do not owe them an answer that matches their preferred outcome. You owe them an honest engagement with the question, and the time to arrive at an answer that is truly yours.

> **The honest tensions:** the most important tension here is the power dynamic. Your investor has rights, a timeline, and an interest in how this ends. You have the company, the relationships, and the deepest knowledge of what it needs. Neither of you has complete power, but the distribution is not equal, and it is worth knowing that clearly. An investor who is truly supportive of your agency in this process will show it through their behaviour, giving you time, respecting your conclusions, and being transparent about their own constraints and interests. An investor who says they support your agency but continues to push toward a particular outcome is telling you something important about the conversation you are actually in.
> A second tension is the risk of analysis paralysis. The question of what you want for your company's future is complex, and it is possible to spend so long thinking about it that the timeline closes in and the choice gets made by default anyway. There is a version of taking the question seriously that becomes avoidance. At some point, with enough information and enough honest reflection, you have to make a decision and commit to it. The goal of this playbook is to help you get to that point with clarity, not to give you permission to defer indefinitely.

Protecting What You've Built While Managing the Exit

You know what you want: to keep running the company. You are not planning a transition, and you are not uncertain about your vision. You built something that matters, it is working, and the last thing you want is to hand it to someone else, a new investor, a strategic acquirer, or a private equity buyer who will strip it for parts, because your current investor's fund life is ending.

Your role in this situation is to manage the investor's exit in a way that protects the company's integrity and your own position within it. That is not a small job. It requires understanding what methods are available for the investor to recover their capital without forcing a sale, negotiating those methods from a position of clarity about what the company can support, and doing all of this while continuing to run the business, since the exit process does not pause the work.

In Situation D, protecting what you've built takes on a harder edge. You are not managing your investor's exit because their timeline requires it, but because your company's need for new capital requires it. The commitment to protecting the company's integrity matters just as much here, because the pressure to close quickly and the leverage imbalance, since your company needs the capital more than your investor needs to hold their position, can make it tempting to accept whatever terms get the deal done, even at the mission's expense. Negotiating for the new capital provider's alignment with your mission, even partially, as a condition of your existing investor stepping back, is part of what distinguishes truly protecting what you've built from simply surviving the moment.

This is a role that the impact investing field does not always honour with the respect it deserves. There is sometimes an implicit message that a founder who just wants to keep running their company is somehow less ambitious or less impact-committed than one who wants to transition to employee ownership or steward ownership. That message is wrong. A mission-driven

enterprise, run well by a committed founder, creating real value for real communities, is the goal, and if the next chapter of that story is you, still at the helm, with the investor paid back and the mission intact, that is a good outcome. Full stop.

What this requires from you: understanding the methods available for a clean investor exit, and being proactive about proposing them rather than waiting for your investor to drive the process. Revenue-based repayment structures, redeemable equity buybacks, and negotiated share repurchases are tools that exist precisely for this situation, and the more fluent you are in how they work, the better position you are in to negotiate terms that suit the company's cash flow and your own timeline.

It requires a realistic assessment of what the company can financially support. The most common mistake founders make in Situation C is overpromising on the repayment timeline, committing to a schedule driven by the investor's preference rather than the company's actual cash flow. A repayment structure that puts the company under financial pressure is not a clean exit but a slow extraction. Better to negotiate a longer, more realistic timeline from the start than to commit to something undeliverable and damage the relationship, and the company, in the process.

It requires you to think about what protections you want to negotiate into the exit terms. Even in a situation where there is no ownership transition, the moment of the investor's exit is a moment when certain things can be locked in or lost. Are there governance rights the investor holds that you would like to retire? Are there impact covenants that should be formalised in the exit agreement? Is there anything about the investor's departure that could leave the company more vulnerable, and that could be addressed in how the exit is structured? These questions are worth asking even when the exit feels straightforward.

And it requires you to stay open to the conversation evolving, without feeling pressured by that openness. Your investor may raise the transition question as part of the exit process, and you are allowed to hear it, consider it honestly, and conclude that your original position was right. "I thought about it and I still want to keep running this company" is a complete answer that does not require further justification.

The honest tensions: the primary tension in this role is cash flow versus timeline. A revenue-based repayment or share buyback requires your company to generate the capital to fund it, and if the investor's timeline is shorter than your cash flow allows, you are in a genuine negotiation about who absorbs the gap. Being clear-eyed about this from the start, and getting legal and financial advice on what is actually achievable, is essential.
A second tension is the risk that the investor's exit creates instability in the company even when you are trying to prevent it. Employees notice when an investor is exiting. Key relationships can be disrupted, and the company's positioning in its market can shift if the departure of a well-known investor becomes public before you have managed the narrative. Thinking carefully about timing, communication, and how the exit is presented externally is part of protecting what you have built, not just the financial mechanics of how the investor gets paid.

A note on agency and structure: your role in the exit is shaped by your structural position as much as by your intentions. A founder with majority ownership, supportive investors, and a clear vision has significant agency to design the next chapter. A founder with minority ownership, misaligned co-investors, and a fund timeline running out has much less. Understanding your structural position clearly, without either overestimating or underestimating your leverage, is the foundation of playing any of these roles well. The companion tool to this playbook helps you map your specific situation against the options that are realistically available to you.

PART 3: WHO BENEFITS, DECIDES, AND PROTECTS?

The Design Questions

These are the questions that most exit conversations never reach. By the time the lawyers are drafting and the timeline is running, the conversation has narrowed to mechanics: how much, by when, on what terms. The deeper questions, who should benefit from what you built, who should hold power over what comes next, and what should survive the transaction, get answered by whoever had the better lawyers and the more urgent deadline.

This section asks them before that happens.

Not as a checklist, and not as a set of requirements you need to satisfy to qualify as a mission-driven founder, but as an invitation to think clearly about what you actually want, for your company, for the people in it, for the communities it serves, and for the purpose that has driven it from the beginning. The exit is a moment when those intentions can be made structural, or when they can be abandoned without anyone deciding that, not through any single bad decision, but through the accumulated weight of defaults.

You may not be able to control all of the answers to these questions. Your capital structure, your investors' rights, your jurisdiction, and your company's financial health all shape what is actually available to you, but you can control whether you ask them. The founder who asks them clearly,

early, and honestly is in a fundamentally better position than the one who discovers the answers at the closing table.

Each question has two dimensions: what happens at the exit itself, the transaction, and what persists in the ongoing company after the transaction closes. They are related but distinct, and understanding both is what makes the difference between an exit you designed and one that happened to you.

	At the exit	In the ongoing company
Who benefits?	When your investor exits, who else receives value beyond them? You have more choice here than most founders realise. *From:* • Investor and you only • Employees • Communities • A foundation • Back into the enterprise The method determines who gets what.	What ownership model persists after the exit? Who captures profits, surplus, and wealth the company continues to generate? *Model shapes outcome:* • Employee-owned companies build wealth for workers • Purpose trusts lock surplus to mission • Conventional structures concentrate value with whoever holds equity
For you: the exit is when intention either becomes structure or disappears unnoticed. Thinking about this while you have optionality is the most valuable thing this section can prompt. Your tension: what you want for the company versus what you need personally. You are allowed to want a meaningful financial return.		
Who decides?	How much power do you actually have over how this exit is structured? The honest answer depends on your capital structure and contractual rights. Drag-along rights, right of first refusal, and board composition were agreed years ago. Understanding your contractual position clearly is the foundation of knowing what you can negotiate.	After the investor leaves, who holds governance power, and to whom are they accountable? Simplest: you retain majority control. Most durable: governance accountability built into the structure, whether a steward council, a golden share, or a mission mandate, so it persists when you are gone.
For you: the exit process is one of the moments when governance can be redesigned. These windows close. Build it right in the first place. Your tension: control versus durability. Keeping control gives you flexibility but creates a company one leadership change away from a different direction.		
Who protects the mission?	Your mission does not travel automatically with the shares. None of your values, culture, or commitments are legally binding	If you want the mission to survive you, it needs to be embedded in the company's legal architecture, not as a values statement but as

	At the exit	In the ongoing company
	on whoever comes next, unless you make them so. Impact covenants, buyer selection criteria, and post-exit reporting. Your leverage is highest at the moment the deal needs to close.	a structural legal reality. Lighter to heavier: contractual covenants, golden share, asset lock, steward ownership, and Perpetual Purpose Trust. Jurisdiction shapes what is available to you.

For you: the exit process is one of the most natural moments to establish structural protection, since legal documents are already being drafted. Don't wait until after. Your tension: durability versus flexibility. The most durable option may simply not be feasible at your stage.

1. Who Benefits?

At the exit

When your investor exits, value moves. Shares are bought back, debt is repaid, and capital gains are realised, and the question of who receives that value, beyond your investor, whose return is largely determined by the instrument and the terms, is one founders rarely think about explicitly until it is too late to shape.

The most common default is straightforward: the investor gets their return, and if there is residual value above that, it flows to you as the founder. That is not a bad outcome, since you built something valuable and deserve to benefit from it, but it is worth knowing that it is a choice, not a law. The exit transaction can be structured in ways that distribute value more broadly, to the employees who helped build the company, to a community organisation that has been central to its work, or to a foundation that will steward its surplus in perpetuity. These configurations require deliberate design, and they may require your investor to accept different terms than a standard exit would produce, but they are possible, and in many cases they are what founders, looking back, wish they had done.

The key variable is the method. How your investor exits determines where the money flows. A redeemable equity structure that lets your employees gradually purchase your investor's shares transfers ownership, and the value that comes with it, to the people who built the business alongside you. A trade sale to an outside buyer transfers that value to whoever is paying the price. A philanthropic exit, where your investor donates part or all of their position, frees the company from investor obligations entirely and can open up ownership structures that would otherwise be financially impossible. The method is not a neutral technical choice, but the mechanism through which the distribution of exit value is determined.

What do you want the exit to generate, and for whom? This is worth answering honestly before the process begins, because once it is underway, the momentum of the transaction tends to produce the conventional outcome unless someone has actively designed for a different one.

In the ongoing company

Who benefits from the exit transaction and who benefits from the company going forward are related questions but not the same. You can receive a significant personal return at the moment of sale while structuring the ongoing company so that future profits flow to employees. You can exit your investor cleanly through a revenue-based repayment while leaving the company's ownership and profit distribution entirely unchanged. Or you can use the exit process as the moment to redesign who captures value from the company going forward, locking in a distribution model that reflects what you actually believe the company is for.

The question of who benefits in the ongoing company is a structural one, determined by the ownership model that persists after the exit: who holds shares, how profits are distributed, and what happens to residual value if the company is ever sold again. An employee-owned company generates wealth for the people who work in it. A company held in a perpetual purpose trust generates returns locked to its mission. A company with a conventional ownership structure concentrates its future value with whoever holds the equity, which, after a standard investor exit, may simply be you, or may be a new investor whose values you cannot control.

This is worth thinking about clearly, not because there is a right answer, but because the answer has consequences that compound over time. The ownership model you establish at the exit is the one that will shape the company's relationship to wealth creation for years or decades, so it is worth choosing it rather than defaulting into it.

> **The honest tensions:** the most common tension here is between what you want for the company and what you need personally. A transition to employee ownership or community ownership may mean the return you receive from the exit is significantly lower than a conventional sale would have generated. That is a real trade-off, and it belongs to you, not to your investor, not to your board, and not to the impact narrative anyone wants to tell about your company. You are allowed to want a meaningful personal financial return from the thing you spent years building. The question is how you balance that against what you want for the company's future, and whether the structures available in your context allow you to do both.
> A second tension is the gap between intention and design. Many founders want broadly distributed benefits from their company's success. They want their employees to build wealth, and they want the communities they serve to share in the value they create, but they have never translated those intentions into structural choices. The exit is the moment when intention either becomes structure or disappears unnoticed. Thinking about this while you still have optionality is the single most valuable thing this section can prompt you to do.

2. Who Decides?

At the exit

The first question to answer honestly is how much power you actually have over how this exit is structured.

The answer depends on what you agreed to when you took the investment. Drag-along rights mean a majority investor can compel you and other minority shareholders to sell, even if you don't want to, even if the buyer is not someone you would have chosen. Right of first refusal means certain shareholders can match any offer before you can accept it from someone else, and board composition determines who has a vote on the major decisions of the exit process. These rights were negotiated years ago, and they shape what is possible now.

Many founders discover, at the exit moment, that they have significantly less control than they assumed. The term sheet that seemed standard in year two turns out to contain provisions that materially constrain their options in year seven. This is not always the investor's bad faith, but often simply the founder not having fully understood, at the time of signing, what they were agreeing to. Understanding your contractual position clearly, with legal advice if necessary, is the foundation of knowing what you can and cannot negotiate.

Beyond the legal rights, there is the question of who should be part of the exit conversation at all. The default exit process involves the investors, the founder, and the lawyers, but the people most directly affected by the exit, your employees, your community partners, and the customers whose relationships have made the company what it is, are typically not in the room. There is no legal requirement that they be consulted, but there is a meaningful difference between an exit that was designed with the people it affects and one that was done to them. If the company's next chapter matters to you, it is worth thinking about whose voices should shape it, and creating the conditions for those voices to be heard before the process closes around a predetermined conclusion.

In the ongoing company

After the investor has left, who holds governance power over the company, and what are they accountable to?

This is the question that will determine more about your company's long-term trajectory than almost any other. Governance is how decisions get made, whose interests are weighted, and who has the ability to redirect the enterprise when it drifts from its mission. If you care about what the company does after you are no longer the one running it, either because you have stepped back or because you are thinking about a transition that does not include you, governance is where that care needs to be expressed structurally.

The simplest answer is you. If you retain majority ownership and control after the investor exits, you hold governance power, and the company's direction is as aligned with its mission as you are. That is a legitimate and often effective configuration, but it is also one entirely dependent on your continued presence and your continued alignment. What happens when you are no longer there? What happens if your values shift, your circumstances change, or the company is sold again in the future?

The more durable configurations build accountability to mission into the governance structure itself, so that it persists regardless of who is in the chair. A steward council with a defined

mission mandate creates governance accountability to purpose rather than to financial return. Employee directors or community representatives on the board give voice to the people most directly affected by the enterprise's decisions. A golden share held by a foundation or public interest entity creates an external check on decisions that would contradict the mission. These structures require investment, in design, in legal drafting, and in the ongoing work of governance, but they create something the founder's personal commitment cannot: durability.

The exit process is one of the moments when governance can be redesigned. If you are buying out your investor through a redeemable structure, the exit agreement is a document that can include governance changes alongside the financial terms. If the company is transitioning to employee or community ownership, the governance structure of the new ownership model is being designed as part of the transition. These windows close, and the governance structure in place when the dust settles is the one that will persist. Changing it later is significantly harder than building it right in the first place.

> **The honest tensions:** the most important tension for founders in the who decides question is between control and durability. Concentrating governance power with yourself gives you maximum flexibility and speed, but creates a company that is one leadership change away from a completely different direction. Distributing governance power to employees, communities, or mission-bound stewards creates durability, but requires giving up control in ways that many founders find truly difficult, even when they believe in the principle.
> This is not a failure of values, but a human response to having built something you care about. The founder who finds it hard to hand over governance power to a steward council is not necessarily wrong to feel that way. They are the one who knows the company best, who has the deepest relationships, and who has been through every difficult moment. The question is not whether the feeling is understandable but whether acting on it, keeping control, serves the company and its mission better than the alternative.
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> A second tension is the readiness of the people you might want to involve in governance. Employee governance requires employees who want that responsibility and are prepared for it, and community governance requires a community entity with real capacity. The most thoughtfully designed governance structure in the world fails if the people who are supposed to hold it are not ready, which is another argument for starting these conversations long before the exit pressure arrives.

3. Who Protects the Mission?

At the exit

Your mission does not travel automatically with the shares when they change hands. The values that have shaped every decision you have made, the commitments to the communities you serve, the care you have taken with your employees, and the refusal to optimise purely for financial return, none of this is legally binding on whoever comes next unless you make it so.

The exit transaction is a moment when you can negotiate protections into the deal terms, not as durable as structural legal protection, but real and meaningful if designed carefully. If your

investor is selling their position to a new investor or acquirer, the terms of that sale can include impact covenants: commitments by the incoming party to maintain specific operational practices, employment levels, community programmes, or mission-related activities for a defined period. They can include buyer selection criteria that make mission alignment a genuine condition of the transaction rather than a nice-to-have, and post-exit reporting obligations that create accountability for how the company performs against its stated purpose after the transaction closes.

Your leverage to negotiate these protections is highest at the moment when the deal needs to close, when the incoming party is motivated and the terms are still being finalised. Using that leverage thoughtfully, to ask for protections that are meaningful rather than symbolically satisfying, is part of your role in the exit process regardless of which situation you are in.

It is also worth being realistic about what transaction-level protections can and cannot do. A covenant that expires in three years does not protect the mission in year four, and a buyer who agrees to maintain a community programme in the sale agreement may restructure it the moment the obligation lapses. Transaction-level protections buy time, and sometimes that is enough, but they are not a substitute for structural protection. If the mission matters to you beyond the immediate exit, structural protection is what you need to be building toward.

In the ongoing company

If you want the mission to survive you, to persist through leadership changes, ownership transitions, and the ordinary pressures of business operation, it needs to be embedded in the company's legal architecture, not as a statement of values, not as a cultural commitment, and not as a B Corp certification that can be revoked or allowed to lapse, but as a structural legal reality that binds the company regardless of who owns it or runs it next.

The structures available to you depend significantly on your jurisdiction, and getting legal advice specific to your context is essential, since what is available in the UK, Germany, France, or the United States varies considerably. But the underlying logic is consistent across contexts: the goal is to create a legal separation between ownership and purpose, so that even if the ownership changes, the purpose does not.

At the lighter end, contractual covenants between shareholders can protect specific mission commitments, though these become renegotiable as shareholders change. A golden share held by a foundation or public interest entity gives an external party the ability to block decisions that would contradict the mission, more durable but dependent on the continued capacity and alignment of the golden shareholder. An asset lock embedded in the company's constitutional documents prevents assets from being distributed for private benefit, effective but constraining in ways that affect the company's relationship to capital markets. A perpetual purpose trust holds the company's shares in trust for its stated purpose in perpetuity, the most durable option and the most complex to establish.

Steward ownership arrangements, which separate voting rights from economic rights, placing governance control with people accountable to the mission rather than to financial return, represent one of the most powerful configurations available for founders who want to protect mission durably without removing all economic incentive from the enterprise. The specifics vary by jurisdiction, but the principle is consistent: the company can generate economic returns, and those returns can flow to the people who built it and the communities it serves, while governance power remains with stewards who cannot use it for private benefit.

The exit process is one of the most natural moments to establish these structures, because the legal documents are already being drafted, the advisors are already in the room, and there is a live conversation about the company's future happening in real time. A founder who says, at the moment of structuring an investor exit, "I want to use this process to also establish a perpetual purpose trust," is making a request that can be accommodated within the same legal process. A founder who wants to do the same thing three years after the exit, when there is no live transaction and no urgency, faces a much higher bar.

> **The honest tensions:** the most important tension in mission protection is between the durability you want and the flexibility the company needs. A perpetual purpose trust protects the mission absolutely, and absolutely means the mission cannot be changed even if circumstances change and the original formulation becomes outdated or counterproductive. A less rigid structure allows evolution but creates vulnerability. The right balance depends on how specifically the mission is defined, how much you trust future stewards to adapt it wisely, and how well-designed the governance structure around it is.
> A second tension is the cost and complexity of structural protection. Establishing a perpetual purpose trust, a steward ownership arrangement, or a meaningful asset lock requires legal expertise, time, and money, and for a small enterprise with limited resources and a tight exit timeline, the most durable available option may simply not be feasible. In that case, the question becomes what protection is available within the constraints that actually exist. A modest covenant is better than nothing, and a clear statement of intent in the company's governance documents is better than silence. The perfect should not be the enemy of the good, but the good should be chosen deliberately, not defaulted into.
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> A third tension is the founder's own future relationship to the company. Some mission protection structures, particularly steward ownership arrangements and perpetual purpose trusts, require the founder to give up certain rights and returns they currently hold. That is a significant personal decision, and it is one that deserves to be made with clear eyes rather than in the heat of an exit process. Understanding what you are agreeing to, legally, financially, and in terms of your ongoing relationship to the company, before you commit to a protection structure is essential.

A closing note on how the three questions interact: these three questions shape each other. The answer you give to one opens certain possibilities in the others, and closes others.

If you design the exit so that employees benefit economically, through an ownership transfer, a profit-sharing structure, or a buyout that transfers real wealth, you create the conditions for employee governance to be meaningful rather than nominal, since people who have a financial stake in the company's success have a genuine interest in governing it well. If you build governance structures that are accountable to mission rather than to financial return, whether steward councils, golden shares, or purpose trusts, you create the conditions for mission protection to be durable rather than dependent on individual goodwill.

Governance and legal protection reinforce each other when they are aligned. If you protect the mission structurally, through legal mechanisms that persist regardless of ownership, you shape who would want to own this company in the future and why. A company with a strong asset lock and a steward ownership structure is not attractive to a buyer who wants to extract value. It is attractive to investors and owners who are truly aligned with its purpose, so mission protection is also, in this sense, a filter for future capital.

None of this argues for a single configuration. It argues for thinking about all three questions together, and for understanding that the choice you make in one dimension creates both possibilities and constraints in the others. That is the work of impact exit design. It is not simple, but it is worth doing.

PART 4: HOW?

The Method

You have thought about why an exit is being considered, what role you play in it, and who should benefit, decide, and protect the mission of what you have built. Now comes the how: the financial mechanics through which your investor recovers their capital and through which your company moves into its next chapter.

Method is the how to the why, the what, and the who. From your seat, the method question is not abstract. It starts from what your investor currently holds, whether equity, a convertible note, a debt-like instrument, or some combination, and from what your company can actually support. The instrument your investor uses to exit shapes your cash flow, your governance, your ownership structure, and your operational freedom for years after the transaction closes. Understanding the options available to you, and their implications for the company you are trying to protect and build, is part of making this exit yours rather than something that happens to you.

The method question also operates at two levels, and the distinction matters. At the investor level, how does your specific investor recover their capital? This is the financial transaction between you and them: the instrument, the timeline, the price, and the payment structure. At

the company level, how does the company transition to its next ownership structure, and how is that transition financed? In Situations A and B, where an ownership transition is happening or worth considering, the company-level method question is as important as the investor-level one. In Situation C, where you want to continue running the company and your investor needs liquidity, the company-level question is primarily protective: does the method chosen leave your company's stability, governance, and mission intact when the investor has gone?

There are four categories of method. They are not mutually exclusive, and most thoughtful exits use a combination, which, when well designed, is not a compromise between competing interests but a structure that truly serves the company's future and the investor's legitimate needs simultaneously.

	WHAT IT IS	BEST FOR YOU WHEN	WHAT IT MEANS FOR YOU
1 Repay / Buyback Over Time	The investor's stake is restructured into payments over time: revenue-based, cash-flow-based, or affordability-tested. No sale required.	You want to retain ownership and control. You want to avoid bringing in an outside buyer. Your company generates cash flow.	The most founder-friendly exit structure. You stay in control. The company isn't sold. Agree to what you can actually support, not what feels easier to say yes to.
2 Buyout at a Point in Time	The investor's entire stake is purchased in a single transaction, whether by you, by your employees, by a community organisation, or by a mission-aligned new investor.	You have identified the right incoming owner. The financing is in place. You are truly on board with who is coming in.	Price is the central tension. Fair to the investor may be unaffordable for the incoming owners. Don't rush this; readiness matters more than speed.
3 Give Away / Write Off	The investor donates shares, transfers at a nominal price, or writes off the position entirely, releasing the company from financial obligation.	The investor's stake is the primary financial obstacle to a transition you want but can't finance. Requires investor willingness and LP flexibility.	Opens possibilities no other method can. An impossible transition becomes possible. Ask for it explicitly if it would make the difference, as a possibility rather than a demand.
4 Combination	Any of the above layered, sequenced, or structured in parallel: a partial buyback over time, plus a concessional transfer, plus a donation to a golden shareholder.	Complex situations with multiple goals, when no single instrument achieves what you want for the company and for the investor.	Most real exits work this way. Start from the ownership and governance you want to reach, then work backward to the instruments. Don't assemble instruments and hope the outcome follows.

Repay or Buyback Over Time

Your investor already holds a stake. The question in this category is not about finding a buyer or running a sale process, but about whether the stake can be restructured into something that generates returns for the investor over time, calibrated to what your company can actually support, without requiring a transaction that forces a change you didn't ask for.

The starting point is what your investor currently holds. If they hold equity, the pathway is converting their existing shares into redeemable shares, shares the company has the right or obligation to buy back over a defined period at a predetermined price or formula. From your perspective as the founder, this is one of the most founder-friendly exit structures available. You retain control, and you retain ownership, or transfer it gradually to the people you choose, on a timeline you can manage. The company is not sold. The investor exits through payments generated by the business itself rather than through a transaction that hands the company to an outside buyer.

The buyback payments can be structured in several ways. A revenue-based structure ties payments to a percentage of your revenues, lower when the business faces a difficult period and higher when it performs well. A cash flow-based structure ties payments to what the business generates after its operating costs are met. An affordability-tested structure sets payments based on a periodic honest assessment of what the company can actually sustain, reviewed at intervals and adjusted if circumstances change. An impact-based structure allows some or all of the payment to be made in impact rather than cash, measured in ownership transferred to employees, community benefit generated, or mission commitments formalised in the company's legal structure. Combinations of these are common and often the most appropriate design.

If your investor holds a debt-like instrument, whether a convertible note, a loan, or a quasi-equity structure, the pathway is commencing repayments over time rather than triggering a conversion event or facing a balloon payment demand. The same payment structures apply. The question is whether the existing instrument terms are workable as they stand or whether they need to be renegotiated, and whether your investor is willing to have that conversation honestly, in light of what the company can actually support rather than what was optimistically projected at the time of investment.

In Situation A, you are actively planning an ownership transition, repay or buyback over time is the method most naturally suited to financing the transition itself, at the company level. Seller financing, where your investor accepts payment over time rather than requiring the full purchase price at closing, makes ownership transfer financially accessible for incoming owners who could not otherwise fund it. Your employees do not need to raise the full purchase price upfront. They pay for the shares from the company's revenues over time, as the investor's position is gradually redeemed. From your perspective as the founder, this structure allows you to honour your commitment to the people you want to benefit from the company's success without requiring them to raise capital they don't have.

In Situation B, a transition is worth considering but hasn't started, the repay or buyback structure creates something precious: time. By converting the investor's position into something that generates returns over a defined period rather than requiring an immediate transaction, you open a space in which the transition conversation can develop without being forced by deadline pressure. You have room to think carefully about what you want, and your employees or community stakeholders have room to develop readiness and appetite for ownership.

In Situation C, you want to continue running the company, this is the method category most directly suited to your needs. You are not transitioning ownership. You simply need to find a way to return your investor's capital without selling the company or bringing in a new shareholder whose values you cannot control. A repayment structure that places the company under financial pressure, forcing you to cut costs or defer investments to meet payment obligations, is not a clean exit but a slow extraction, and it deserves to be named as such in the negotiation.

In Situation D, your company needs capital and your investor's position is part of what's in the way, a repayment or buyback structure can give you exactly the breathing room you need. Rather than requiring a full buyout upfront, which your company can't finance while also raising new capital, your investor agrees to a reduced, deferred, or subordinated repayment schedule that frees up the balance sheet capacity your new capital provider requires. Be honest with yourself, and with your investor, that this kind of plan is frequently renegotiated downward or slowed further if the company's situation doesn't improve as hoped.

> **The honest tensions:** the most important tension for you in this category is the gap between what your investor needs and what your company can actually support. An investor with a fund deadline coming up may push for a repayment schedule that is faster than your cash flow allows, and agreeing to a schedule you cannot meet, because the pressure of the moment makes refusal feel impossible, creates a worse outcome for everyone. The negotiation about payment terms is worth doing carefully, with financial advice, and with honesty about what the business can actually deliver rather than what you hope it will generate.
> A second tension is the risk that the repayment obligation begins to shape your operational decisions in ways that serve the payment schedule rather than the mission. A company that is cutting community programmes, deferring employee development, or avoiding long-term investments because it needs to meet quarterly repayment targets is not being protected by the repayment structure, but constrained by it. Building genuine flexibility into the payment terms, including provisions for payment holidays in difficult periods, is worth prioritising in the negotiation, even if it requires giving something else up to get there.

Buyout at a Point in Time

Sometimes the right method is a single transaction: your investor's stake is purchased in full, the capital flows, the exit is complete, and the ownership structure of your company is definitively established. In the context of this playbook, this is not about selling your company to a financial acquirer or running a conventional auction process, but about the stakeholder transitions

discussed in Part 3, employees, a community organisation, another social enterprise, a mission-aligned foundation, or a steward ownership structure, taking on ownership in a defined transaction, or about your investor's position being purchased cleanly in a way that leaves the company in the right hands.

The who has already been worked through. The method question here is how the buyout is financed, and that looks different depending on which situation you are in.

At the investor level, across all situations, your investor's entire stake is purchased at a defined price in a single transaction, and they exit cleanly and completely. What matters to you at the investor level is the price: is it fair, is it one the company or the incoming owners can support, and does it reflect the genuine value of what has been built rather than an extraction that leaves the company weakened?

At the company level in Situation A, active transition, the transition is underway, and the buyout is its culminating transaction. The financing of the purchase is the central practical question. Cash in the business, retained earnings or reserves built specifically for a buyout, is the cleanest option but relatively rare. More commonly the financing comes from outside: a bank loan, a social lender, a community development financial institution, or an impact investor willing to provide acquisition capital specifically to support the transition. Identifying the right financing partner early, while you are still in the holding period rather than facing an imminent exit deadline, is one of the most important practical steps in making a viable buyout possible.

At the company level in Situation B, transition worth considering, a point-in-time buyout may be the right endpoint of the transition exploration, but only if the conditions for a good transition are actually in place before the transaction closes. The risk in Situation B is executing a buyout before the design work is done, because the investor's timeline is pressing and a transaction is available, rather than because the incoming ownership entity is truly ready. A point-in-time buyout that is rushed by deadline pressure tends to produce weaker outcomes than a repay-over-time structure that creates space for the transition to be properly designed.

At the company level in Situation C, you want to continue running the company, the buyout operates purely at the investor level. You are not transitioning ownership. You are purchasing your investor's specific stake, or facilitating its purchase, in a way that leaves the company in your hands and its mission intact. In Situation D, a buyout at a point in time is occasionally the cleanest path for you too, since your new investor buys out your existing investor's position entirely as a condition of providing the capital you need. This clears your cap table in one step, though it's worth going in clear-eyed about whether the price your existing investor accepts, and the terms your new investor sets in exchange, actually serve the company you're trying to build.

> **The honest tensions:** the most important tension is the price. A buyout requires agreement on a valuation, and the valuation of a mission-driven enterprise is often contested. A price that is fair to your investor may be unaffordable for the employees or community organisation trying to complete the purchase, and a price that is accessible for the incoming owners may require your investor to accept less than they expected. Getting independent advice on valuation, and being willing to have the honest conversation about what the company can actually support, is the foundation of a buyout that works for everyone.
> A second tension is the readiness of the incoming ownership entity. A point-in-time buyout requires the buyer to be ready, legally constituted, financially capable, and organisationally prepared to take on ownership from day one. Building that readiness takes time, and if the incoming entity is not ready, the pressure of a defined transaction date tends to produce corners being cut. The most important thing you can do to prevent this is to start the process early, giving the incoming owners the time they need to become truly ready rather than just nominally capable of completing the transaction.

Give Away or Write Off

This is the method category that most changes what is possible, because it removes the financial obstacle preventing the company from becoming what it should be.

The core logic is straightforward. If your investor's ownership stake is the primary obstacle to completing a mission-aligned transition, because the buyout cost is beyond your company's reach, because no external financing is available, or because the numbers simply do not work with a conventional purchase, then the most impactful thing your investor can do is release that stake. Not sell it. Release it.

This is distinct from an impact buyback, where your investor accepts a below-market financial return in exchange for measured impact outcomes and the company is still paying, and the investor is still receiving something. A write-off or donation is a different transaction entirely. Your investor releases the company from a financial obligation, in exchange for a formal commitment to the mission-aligned future that the release makes possible.

The analogy worth drawing is debt relief. Global investors have written off sovereign debt for countries in exchange for commitments to invest freed resources in education, health, or environmental protection. The logic is the same: the financial obligation was consuming resources that would do more good elsewhere, and releasing it in exchange for a public benefit commitment was a better outcome than continuing to service something that was constraining the mission.

From your perspective as the founder, this category opens possibilities that no other method can reach. An employee ownership transition that was financially impossible, because the employees cannot raise the purchase price and no lender will finance it, becomes possible when the investor donates or writes off their position. A community ownership structure that required capital the community organisation did not have becomes accessible when the stake is transferred at a nominal price. A perpetual purpose trust that needed to be funded with cash

the company did not possess becomes viable when the investor's shares are simply donated into it.

The instruments in this category include full or partial donation of shares, a nominal or concessional transfer at a price set by the mission rather than the market, and a write-off where your investor acknowledges the financial return will not materialise and releases the company from any remaining financial obligations. From your perspective, none of these is a failure. Combined with a formal mission commitment, whether a governance structure, a legal protection, or a set of obligations you make to your employees or community, it is a completion. The investor's capital did its work, and the write-off is the final act of that investment, and it can be the act that makes the most difference.

In Situation A, active transition, this category can be the piece that makes the transition whole, freeing cash flow for operations and mission from day one instead of servicing acquisition debt. In Situation B, transition worth considering, an investor who signals genuine willingness to write off or donate their position, under the right conditions, changes what is possible. What was previously unthinkable because the numbers did not work becomes worth exploring seriously. In Situation C, you want to continue running the company, this category is less common, but not impossible: an investor who has concluded the capital was always more catalytic than financial may find that a write-off is the cleanest and most honest exit available, freeing the company from the overhead of managing an investor obligation.

> **The honest tensions:** the most important tension from your perspective is that this category requires your investor to be willing and able to use it, and many are not. Fiduciary obligations, LP agreements, fund structures, and institutional cultures all create pressure toward financial return. You cannot negotiate your investor into a write-off, but you can understand whether it is available, by understanding your investor's mandate, their LP base, and the constraints they are operating under, and by making the case for it clearly and honestly when the conditions are right.
> A second tension is the risk of assuming the write-off or donation will be offered without asking for it explicitly. Many investors who would seriously consider this category never raise it, because they are not sure how the founder would receive it, or because they are waiting for a signal that it would be welcome. If you are in a situation where this category would make the difference between a good transition and an impossible one, naming it directly, as a possibility worth exploring rather than a demand, is worth doing.

Combination

The most thoughtful exits are almost never a single method. They are combinations of instruments, timelines, and financial and impact returns, designed together to serve your company's transition and your investor's legitimate need for capital recovery simultaneously.

From your perspective as the founder, the combination category is the one that most honestly reflects how real exits actually work. They unfold over time, involve multiple parties with different needs and different capacities, and require different instruments for different parts of

the problem. They succeed when the parts are designed coherently, in service of a clear answer to who benefits, who decides, and who protects the mission, rather than assembled as a series of compromises that satisfy nobody fully.

In Situation A, active transition, combinations are the norm. A partial redeemable equity buyback over three years, gradually transferring shares to an employee ownership trust as the investor's position is redeemed, might be combined with a concessional transfer of the remaining position to a community foundation at the end of the repayment period, locking in mission protection for the long term. Your job in designing a combination in Situation A is to start from the ownership and governance configuration you want to reach, and then work backward to the instruments that get you there, rather than assembling instruments and hoping the configuration follows.

In Situation B, transition worth considering, combinations can hold space for a transition that is still forming. A revenue-based repayment that returns capital gradually while the transition conversation develops might be combined with a defined option to convert the repayment structure into a seller-financed buyout if the transition design crystallises. The combination is not a hedge against commitment, but a structure that creates the conditions for a good decision rather than forcing a premature one under deadline pressure.

In Situation C, you want to continue running the company, combinations are typically simpler because there is no company-level transition to finance, but they still occur. A partial buyout of the investor's position using company capital, combined with a revenue-based repayment of the remainder over time, allows the investor to exit in stages without placing the full financial burden on the company at once.

A note on combining situations, not just instruments: everything above treats the three situations as something you choose one of, for the whole company, at a given moment. But the company doesn't have to be indivisible. If it operates as more than one identifiable business, whether a product line, a subsidiary, a geographic operation, or a division built around a distinct customer base, you can be in more than one situation at once, for different parts of the same company, and design a combination exit that reflects that rather than forcing a single logic across all of it.

In practice this looks like transitioning ownership of one part, either a business unit spun into an employee-owned entity, a subsidiary transferred to a community organisation, or a product line carved out to the team running it, while continuing to run the rest of the company yourself, buying out the portion of your investor's stake attributable to that remaining part through a straightforward repayment structure.

What this requires is treating the carve-out as its own transaction with its own answers to the who benefits, who decides, and who protects mission questions from Part 3. It also requires legal clarity about what's actually being separated: is it already a distinct legal entity, or does it need to be carved out of the existing structure before any transition can happen? That carve-out work is often the larger part of the effort, not the ownership transition itself.

The honest tension here is complexity multiplied. You are not running one exit process. You are running two, with different timelines, different counterparties, and different governance outcomes, while still operating the business underneath both of them. It's worth being honest about whether the company, and you, have the capacity to do this well simultaneously, or whether the parts should be sequenced, with one transition completed before the next begins.

What combinations require: legal and structuring expertise, since a combination exit is more complex to design, document, and execute than a single-instrument transaction, and the complexity creates risk if the advisors involved do not understand both the financial and mission dimensions of what is being built. It also requires you to stay engaged and clear-eyed throughout a process that may unfold over several years, with multiple parties whose alignment needs to be maintained. Building enough structure into the process, with clear agreements, defined milestones, and transparent communication, to hold it together through the pressures that will arise is part of your job as the founder.

The honest tensions: the primary tension is complexity versus your capacity to manage it. You are running a company, and a combination exit that requires you to simultaneously manage repayment obligations, a governance transition, a legal restructuring, and an ongoing relationship with multiple investors and incoming owners is a significant additional load. Understanding what you are taking on, and building the right advisory support around you, is essential before committing to a combination structure, however well-designed it is.
A second tension is the risk that complexity becomes a way of deferring hard decisions. A combination that layers instruments together without a clear unifying logic, that exists because nobody could agree on a simpler structure rather than because the complexity serves a genuine design goal, is not sophisticated exit planning but organised avoidance. The test is always whether the combination produces a clear answer to the three questions from Part 3: who benefits, who decides, and who protects the mission. If it does, the complexity is in service of something real. If it doesn't, simplify.

A closing note on method and your agency: the method your investor uses to exit will shape your company for years: its cash flow, its ownership, its governance, and its relationship to capital. You have more influence over that choice than many founders realise, particularly if you understand the options available, know what your company can actually support, and are willing to name what you want clearly rather than letting the conventional process produce the conventional outcome.

The most common reason founders end up with an exit method that doesn't serve the company well is not bad faith from the investor. It is the founder not having engaged with the question until the pressure was on, not knowing what alternatives existed, not having the advisory support to propose them, and not feeling entitled to name what they wanted from a process that felt like it belonged to the investor. This playbook exists to change that.

The exit is your company's next chapter. The method is how that chapter begins, and you are allowed to have a view about how it should start, and to advocate for it, with evidence, with structure, and with the clarity that comes from having thought about the why, the what, and the who before the how ever came into the room.

CLOSING: WHOSE EXIT IS THIS, REALLY?

It is yours, although not entirely, since the investor has a legitimate claim, the lawyers have a process, and the fund timeline has a logic that does not bend easily to what you want. Those constraints are real, and this playbook has not pretended otherwise. But the exit is the last chapter of something you built, and the question of what that chapter says, who ends up owning the thing you created, who benefits from it, who holds power over its future, and whether the purpose that drove you through the hardest years survives the transaction, those are questions that belong to you more than to anyone else in the room.

The problem is that the conventional exit process is not designed to ask them. It is built instead to close a transaction efficiently, return capital to investors, and move on, and it has a logic and

a momentum of its own. If you do not engage with it deliberately, it will produce an outcome that reflects that logic rather than yours, not through bad faith, but through the accumulated weight of defaults, each one individually defensible, together producing something nobody actually chose. A phrase for this is "fat wallet, broken heart," credit to John Abrams for it, which is something many founders describe after conventional exits: the transaction may close successfully on paper, but still leave the owner regretting what happened to the company, employees, culture, or mission.

This playbook has asked you to engage deliberately: to understand your situation before the pressure is on, to know your role, whether you are driving a transition, participating in a conversation someone else started, or protecting what you have built while managing an investor's departure. It has asked you to consider who should benefit from the exit and from the company going forward, who should hold governance power, and what will protect the mission when you are no longer the one in the room making sure it stays intact. And it has asked you to understand the methods available to you, what your investor can do, what your company can support, and how those two things can be designed together rather than left to resolve themselves under deadline pressure.

None of this is simple. Some of it will require conversations you have been avoiding, and some of it will surface tensions with your investors that are easier to leave unspoken. Some of it will ask you to think about a future you are not yet ready to imagine, a company that outlasts your own involvement in it, that serves its mission beyond your tenure, and that belongs, in some meaningful sense, to the people and communities whose lives it touches.

That future is worth thinking about, not because you are obligated to sacrifice your own financial interests for it, and not because the impact investing field needs a good story, but because you started this company for a reason, and the exit is one of the few moments when that reason can be made structural, embedded in the legal and governance architecture of the enterprise itself, protected from the ordinary pressures that erode good intentions over time.

The investor will leave. That is certain. What is not certain, what is entirely a matter of design, is what they leave behind when they go, and what you have built in the space their departure creates.

> *You have more say in that than you might think. Isn't it worth finding out?*