Innovative Finance INITIATIVE

An output of the Impact Exits Mission

Impact Exits: Investor Playbook

A note on scope: this playbook is written for investors who already hold an equity stake in a company and are thinking about how to exit it well. It is principally about ownership, power, and governance: the decisions that determine who owns an enterprise, who benefits from it, and who holds the right to shape its future. Some of the thinking here has relevance to debt and mezzanine structures, but we have not tried to make it do equal work for both. Equity is where the most consequential and least examined exit decisions live, and that is where this playbook focuses. A companion piece addressing pre-investment design, the decisions made at the term sheet stage that shape what is available at exit, is addressed separately. This document starts where many investors find themselves: already in the deal, already thinking about the end.

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 Are You Considering an Exit?** 4

03 **Part 2: What Is Your Role?** 15

04 **Part 3: Who Benefits, Decides, and Protects?** 21

05 **Part 4: How?** 31

06 **Closing: Whose Exit Is This, Really?** 42

INTRODUCTION

You've done the hard part. You found the company, made the case to your investment committee, negotiated the term sheet, and spent years on the board or alongside the founder helping them build something that matters. Now you're thinking about how to leave.

This is where most impact investors revert to the conventional playbook: find a buyer, run a process, return capital to LPs. In doing so, they hand off everything they've built to whoever showed up with the best price, and the impact is transferred by default rather than by design. In many ways, the mission and future impact are most vulnerable at exactly this moment. It doesn't have to work that way.

The exit is not the end of your impact. In many cases, it's the most powerful impact decision you'll make in the entire investment cycle, because who owns this company after you leave determines who benefits from the wealth it generates, who holds power over its future, and whether the mission that justified the investment in the first place survives beyond the transaction. These are design choices, and most investors just don't treat them that way, not because they don't care, but because there has been an absence of infrastructure that makes alternative pathways visible, legible, and actionable for investors, founders, and advisors.

There have been discussions in the impact investing space around responsible exits, but these have tended to center on the least bad option and have felt more like ESG-based decisions: how do we limit the risk of social, environmental, and governance issues going forward, mostly by focusing on who we exit to? Some investors have included legal clauses that let them accept a lower-priced offer on the basis of a set of principles, which is clearly helpful when considering options. Still, it feels like only the beginning of the thinking around the agency investors have at exit, the security of a company's long-term impact and mission, and who ultimately benefits.

This playbook is for investors who want to turn the exit process into something that continues, preserves, and potentially enhances impact for stakeholders, instead of putting it at risk. It maps the exit as a design space and gives you language and tools to navigate it, including a set of deliberate choices about the shape of what you leave behind.

This playbook can be applied across investor return expectations and portfolio constructions. It can open up exit opportunities for more traditional impact investors where there previously did not seem to be options, and it can let impact-first investors prioritize impact above all else as they think about how to leave a company. For all investors, it creates the opportunity to use their capital as a transition to the type of economic reality they are trying to achieve.

The playbook is built around four questions, asked in order.

Why are you considering an exit? Is the company actively planning an ownership transition, a cleanup of the cap table, or another capital event? Is a transition worth considering even if

nobody has said it out loud yet? Or does the company want to keep doing what it's doing, and you need to find a way to recover your capital? The company's situation and mission should come first, since your exit is part of its story, not the other way around.

What is your role in that transition? Are you the investor financing the next chapter, with your exit being the capital that makes the transition possible? Are you a catalyst for a conversation the company hasn't had yet, with the founder or with other investors in the room? Or are you a clean exit partner, finding the best path out while actively supporting the company's continuity? Each role comes with different levers and different responsibilities.

Who benefits, decides, and protects? These questions run through every exit, regardless of why you're leaving or what role you're playing. Who receives financial value from the transaction itself, and who captures value in the ongoing company going forward, and to what extent is that value captured by individuals? Who has power over how the exit is structured and is best positioned to wield it, and who holds power after it closes, and how is that power passed on afterward? Who is responsible for protecting the mission in the deal terms, and what legal structures embed purpose into the enterprise for the long term regardless of who owns it next? These questions apply in every situation, though they land differently depending on the company's next chapter.

How do you execute? The company might repay or buy back over time through revenue-based payments, redeemable equity, or an impact buyback, in cash, in impact, or some combination of the two. It might be bought out at a point in time through a balloon payment, a share repurchase, or a single clean transaction. You might give away or write off your investment by donating part or all of your ownership, or by acknowledging that the capital served its purpose and the return is the mission. Or it might be some combination of all of the above, sequenced to fit the company's reality. The exit method is the how to the why, the what, and the who, and it should follow from the answers to those questions rather than precede them.

One thing this playbook will not do is tell you what the right exit looks like. A founder receiving a significant return from a trade sale while the incoming owner commits to a steward structure is a good outcome, and so is an investor exiting through gradual redemption while employees buy in over time, and so is a clean write-off that frees a community-owned enterprise from investor obligations entirely. There is no single right shape. What this playbook offers is a way of choosing the shape deliberately, and of asking, honestly, whose exit this really is.

What this playbook doesn't cover: the decisions that make impact exits easier or harder are mostly made years before this moment. Cap table structure, instrument choice, contractual rights, and governance provisions are set at investment and determine what's structurally available now. That pre-investment design work is important and is addressed in a separate companion piece. This document starts where you are: already in the deal, already thinking about the end.

The Playbook at a Glance

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

01 WHY?
The Company's Next Chapter

- A Active transition underway
- B Transition worth exploring
- C Investor needs liquidity
- D Company needs liquidity

02 WHAT?
The Investor's Role

- Financing partner
- Catalyst for a conversation
- Clean exit partner

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 ARE YOU CONSIDERING AN EXIT?

The Company's Next Chapter

Before you think about how you exit, think about where the company is. Your exit doesn't happen in isolation. It happens inside a company that has its own story, its own relationships, and its own sense of what comes next. The most common mistake impact investors make at this stage is treating the exit as their decision to design, when it is instead a decision they are part of, and how much of it they can shape depends enormously on what the company is already thinking, planning, or avoiding. Investors who approach exits from a standpoint of shared power with founders put themselves in a better position to create impact.

There are four situations you might find yourself in. They are not a hierarchy, and none is more impact-enhancing than the others by definition. What matters is reading which one you're actually in and being honest about it.

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

	SITUATION A	SITUATION B	SITUATION C	SITUATION D
	Active transition underway	***Transition worth exploring***	***Investor needs liquidity***	***Company needs liquidity***
What it looks like	Founder already in motion: succession discussions, employee buyout talks, steward structure being	No plan yet, but signals are present: founder aging, loyal employee base with no equity, deep	Healthy company, committed founder, no transition on the horizon. Investment or fund	A company needs new capital, whether working capital, growth financing, refinancing, or a

	SITUATION A	SITUATION B	SITUATION C	SITUATION D
	designed, community organisation expressing interest, founder succession, or an acquisition by a competitor or another type of buyer.	community embeddedness.	life ending, or LP obligation requires liquidity.	balance sheet reset, and the existing investor's position stands in the way of that capital arriving.
Investor's role	Financing partner: your exit is the capital that funds the transition, or your willingness to renegotiate your returns or position makes it possible.	Catalyst: you may be the one who opens the conversation. Do so with genuine curiosity, not an agenda.	Clean exit partner: recover capital without destabilising the company or forcing change it didn't ask for.	Capital enabler: your willingness to convert, subordinate, restructure, or step back, sometimes alongside providing capital yourself, is what makes what the company needs possible.
Design potential	Highest: you can weave your exit into the transition rather than imposing on it.	Significant, but depends on the quality of the relationship and how early the question is raised.	Focused: no grand transition, but a clean, respectful departure that leaves the mission intact.	Constrained: the company's need is often urgent, and the realistic choices are frequently a comparison of imperfect paths rather than a clearly impact-enhancing one.
Key tension	Transition timeline versus investor timeline. Patience and creative structuring are usually required.	Catalysing versus imposing. The founder's answer, including no, is always legitimate.	Investor timeline versus company rhythm. LP conversations may be needed.	The company's need versus protecting the investor's own position and mission protections already negotiated, and the risk that new capital comes with less mission alignment than the capital it replaces.

Situation A: The company is actively planning an ownership transition

Some companies arrive at the exit conversation already in motion. The founder may have been talking to employees about an ownership stake, the owners may have discussed a transition to steward ownership, or a community organisation may have expressed interest in acquiring a

meaningful share. The founder may be creating their succession plan because they are ready to retire, or to go build something else. Something is already in the air, and your exit is part of a larger story the company is trying to tell about its own future.

This is the situation with the most design potential. When the company is already thinking about transition, the investor's exit can be woven into that transition rather than imposed on it. The method you use to recover your capital can be the same mechanism that finances the new ownership structure, and the governance conversation you have as part of your exit process is the governance conversation the company was going to have anyway. You're just in the room for it.

What this looks like in practice varies widely. It might be a founder who has spent three years slowly transferring equity to a senior management team and now wants to formalise that into an employee ownership structure. It might be a social enterprise that has resolved to move to a perpetual purpose trust and needs to buy out the remaining investors to complete the transition. It might be a business in a rural community where the founder is ready to retire, and a community development organisation has been identified as the natural successor. It might be a founder or board actively planning a transition without yet knowing who the right next owner should be, seeking an outside buyer, an aligned acquirer, a patient capital partner, or another kind of steward who can carry the mission forward. What these situations share is intentionality: somebody in the company has already decided that the next chapter looks different from the current one, and they are actively working toward it.

What it means for you as the investor is that you are entering a conversation already in motion rather than starting one. Your job is to understand the transition the company is planning, assess whether your exit can support it, and find the method that aligns your need for liquidity with the company's transition timeline. This sometimes requires patience, since the transition may take longer than your fund, vehicle, or portfolio life anticipated, and it sometimes requires creativity, since the instrument that gets you out may not be the one you originally envisioned. It can also require a degree of financial flexibility, accepting a return that is shaped by the transition rather than by a market price.

The honest tensions: the most common tension in Situation A is timing. A company planning an employee buyout over five years and an investor with a different exit or liquidity timeline are not naturally aligned, and the transition the company wants to make and the liquidity you need to provide can pull in different directions. The solution is almost never to rush the transition. It is to find a method that provides interim liquidity while the transition completes, or to have an honest conversation about what an impact exit actually requires.
This tension holds even when an investor is not investing through a fund, since the expectations around the timing of the return may be aligned only with the investor's own needs, or perceived needs, rather than the underlying needs of the investee.

A second tension is between the investor's vision for the transition and the founder's. You may see the company as a natural candidate for steward ownership while the founder wants to sell to employees. Both are good outcomes, but they are different ones, and the investor's role is not to substitute their judgment for the founder's. The company's next chapter belongs to the people who will live in it.

Situation B: A transition is worth considering even if nobody has said it yet

Many companies arrive at the exit moment with no transition plan at all, not because a transition isn't right for them, but because nobody has started the conversation. The founder may not have thought about it, or may have thought about it privately without the language, examples, or trusted pathway needed to raise it within the company. The board may not have raised it either, so the exit gets treated as a future problem to be solved when it becomes urgent, which means it gets solved badly, quickly, and under pressure, in whatever way the lawyers and the clock make easiest.

This is where the investor can play a catalytic role, not by imposing a plan but by opening a question: what do you want this company to be after you're no longer running it? Who should benefit from what you've built? What would it mean for this to outlast both of us?

These are not technical questions. They are human ones, about legacy, about values, about what the founder believes the company is really for, and many founders have never been asked them directly, in the context of their own succession, by someone with the knowledge and the relationship to help them think it through.

The signals that a transition might be worth raising are not always obvious. It might be a founder in their late fifties who hasn't talked about what comes next, or a company with a deeply loyal employee base whose team has been central to its success but holds no economic stake in it. It might be a business so embedded in a particular community that a sale to an outside buyer would damage the relationships that make it work, or a mission-driven enterprise that has never had a conversation about what happens to that mission once current leadership is no longer there to protect it. Sometimes it is simply a management team so focused on running the company that they haven't had the time or space to think about what comes after them.

What it means for you as the investor is that you may be the one who opens this conversation, with the founder and possibly with other investors in the room, which can be a significant responsibility. Done well, it is one of the most valuable things you can do as an impact investor: not just providing capital, but providing a frame for thinking about what the capital was for. Done badly, it feels like pressure, or like the investor substituting their values for the founder's, or like a sophisticated argument for why the founder should accept a lower return in the name of impact.

The difference between catalysing and imposing is real, and it lives in the quality of the relationship and the sincerity of the question. If the founder hears "did you ever think about an employee ownership structure" as a genuine suggestion about what might be right for the company, that is catalysing. If they hear it as a condition of a smooth exit process, that is imposing. The investor's role in Situation B is to open a door, not to walk the founder through it.

> **The honest tensions:** the most important tension in Situation B is whose initiative this is. An investor raising the question of transition is doing something that benefits the mission, but it is also, potentially, something that benefits the investor's own sense of impact, their LP narrative, or their portfolio story. Underneath the question of initiative sits a conversation about power: the investor holds board seats, contractual rights, and influence over the founder's options that the founder cannot simply set aside, no matter how curious the question is meant to be. Situation B may in fact be one of the better moments to name that power directly, since raising it openly, rather than leaving it to operate beneath a seemingly neutral question, is part of what makes the conversation trustworthy. Being honest about that mixed motivation is part of doing this well.
> A second tension is what happens when the founder says no. They may hear the question, think about it seriously, and conclude that a sale to the highest bidder is the right outcome for them and their family. That is a legitimate answer, and the investor's job at that point may be to find the best possible buyer and negotiate whatever protections are available into the deal terms. Depending on the terms of the investment, the investor might have leverage they decide to use here, or not. A Situation B conversation that doesn't result in an impact-led transition is not a failure, but an honest conversation that produced an honest answer.

Situation C: The company wants to continue as is; the investor needs liquidity

Not every exit is a transition. Sometimes the company is healthy, the founder is committed, the mission is intact, and there is no ownership change on the horizon or on the wishlist. The investor simply needs to recover their capital, whether because the investment or fund life is ending, because LP obligations or portfolio requirements demand it, or because the investment has run its course, and the company needs to find a way to make that happen without losing what it has built.

This is the most common situation impact investors face, and it may also be one of the sector's biggest problems. We likely don't talk about it as much as we should, because the track record of impact investors here is not one to brag about. In many instances, impact investors have been

as disruptive as traditional investors in forcing sales or other actions that don't align with a company's interests, in order to service their own funding timelines.

It is also the situation the field talks about least, because it doesn't carry the narrative excitement of a community buyout or a perpetual purpose trust. But getting it right matters enormously, because a poorly structured exit in Situation C can do real damage: a forced sale that brings in a new investor whose values don't align, a timeline that destabilizes the leadership team, or a transaction that extracts capital the company needed for its next phase of growth. These are not hypothetical risks. They are the regular, unremarkable casualties of impact investing's failure to think carefully about how investors leave.

The impact exit in Situation C is not a conversion but a clean departure, recovering capital in a way that does not extract value from the enterprise, does not force change the company didn't want, and does not leave the mission more vulnerable than it was before you arrived. Revenue-based payments, redeemable equity, and a negotiated buyback of shares over time are not consolation prizes. They are legitimate options for this situation, and using them well is impact-enhancing in its own right.

What it means for you as the investor is that your job here is to exit as a good partner, negotiating a method that serves your liquidity needs without compromising the company's stability or trajectory. That may mean accepting a longer timeline than you wanted, or a return shaped by the company's cash flow rather than a market valuation. It may mean having a frank conversation with your LPs about why the most impact-enhancing exit available is a gradual redemption rather than a trade sale.

It also means staying alert to the possibility that Situation C could evolve into something else over time. A founder who today wants to keep running the company may, in two years, be thinking about what comes next, and the conversation you have as you plan your exit can itself plant seeds for a transition the company hasn't yet imagined.

> **The honest tensions:** the primary tension in Situation C is between the investor's timeline and the company's rhythm. An investor with twelve months left in its investment portfolio lifetime and a founder who needs three years to generate the cash flow for a redemption are in a genuine conflict, and the resolution often requires investor flexibility, a secondary sale of the investor's position, or some creative combination of partial redemption and partial sale. None of these is simple, but all of them are preferable to forcing a transaction the company isn't ready for.
> A second tension is the temptation to reframe Situation C as Situation B to feel better about the exit. If the investor privately believes an employee ownership transition would be better for the company but the founder has made clear they want to continue as is, the investor's job is to respect that rather than keep raising the question in the hope of a different answer.

Situation D: The company needs liquidity

Not every liquidity need in this framework originates with the investor. Sometimes it is the company that needs capital, whether working capital to get through a difficult stretch, growth capital to seize an opportunity, refinancing to replace debt coming due, or a balance sheet reset after a period of strain. Sometimes the existing investor's position is part of what stands in the way of that capital arriving.

This is a different situation from Situation C. There, the company is healthy and stable, and it is the investor's own timeline, fund life, or LP obligations that create the need to exit. In Situation D, the company's own need is the driver. A new investor may be willing to provide the capital the company needs, but only if the cap table is simplified, if existing liquidation preferences are renegotiated, if the existing investor converts, subordinates, or steps back, or if board composition changes to accommodate the new capital. The existing investor's exit, in whole or in part, is not something the investor is choosing on their own initiative, but something the company's capital need is asking of them.

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

What it means for you as the investor is that your role here is shaped by constraint more than by choice. The company needs something from you, whether that is your capital, your consent, your willingness to renegotiate terms, or your willingness to step back, and the range of options available to you is usually narrower than in Situations A, B, or C. This is the situation this playbook is least able to offer a wide design space for. The choices in front of you are often a comparison between imperfect paths rather than a menu of impact-enhancing configurations, and being honest about that constraint, rather than dressing up a constrained choice as a fully designed one, is itself part of doing this well.

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

The honest tensions: the primary tension in Situation D is the company's need versus the investor's own position. A company that needs capital to survive or grow is not well served by an investor who protects their own liquidation preference or ownership percentage at the expense of the capital the company needs. But investors also have real obligations, either to their own LPs or to their fiduciary duties, that limit how far they can flex. There is no clean resolution to this tension. It has to be worked through case by case.
A second tension is the mission alignment of the incoming capital. The investor being asked to step back or subordinate may have been a genuine mission ally, with negotiated protections and an aligned governance role, while the new capital the company needs may come from a source with no such alignment or interest. Situation D can mean trading an aligned but constraining investor for capital that solves the immediate need but weakens the mission's protection going forward. Where possible, the existing investor's departure should be negotiated to preserve as much mission protection as can survive the transition, even if the investor's own financial or governance position cannot.

A third tension, and perhaps the most common in practice, is that Situation D often does not offer a good option, only a less bad one. Where Situations A, B, and C hold open genuine possibilities for impact-enhancing design, Situation D is frequently a negotiation between imperfect paths under real pressure and real time constraints. This playbook does not pretend otherwise. What it offers here is not a promise of a good outcome but a discipline: even under constraint, ask the same three questions, name the trade-offs honestly, and choose the least bad option deliberately rather than by default.

A note on how situations evolve: these four situations are not fixed. A company that looks like Situation C today may, in eighteen months, be a Situation A, with a founder who has started thinking about succession or a management team that has begun exploring a buyout. A company that looks like Situation C today, healthy and under no pressure, may also arrive at a Situation D moment on a completely different timeline, since a growth opportunity or a period of financial strain can create a genuine capital need with no ownership transition anywhere in sight. Exit design is not a one-time conversation. The most valuable thing an investor can do is create the conditions for an honest ongoing dialogue about the company's future, so that when the moment comes, the options are still open.

Why These Situations Happen: Naming the Systemic Roots

There's a question underneath all four situations that the playbook hasn't asked directly: what produces the situation an investor finds themselves in, in the first place? It's tempting to read these situations as though they describe where a particular company and founder happen to be, but they often also describe the investor's own constraints, timeline, incentives, and vehicle structure, showing up on the founder's side of the table without being named as such. A founder experiencing an investor's behavior at exit is usually experiencing a system, not just a relationship, and most founders have no visibility into that system at all.

Naming these roots matters. A founder who understands why an investor is behaving a certain way can problem-solve with them, whereas a founder who only sees the behavior, without the

cause, tends to read it as a verdict on the company, on the relationship, or on how much the investor actually believed in the mission, and the conversation becomes a power struggle instead of a shared problem to solve.

What tends to produce each situation, beyond the company's own story:

Situation A is sometimes founder-initiated, but it is also frequently precipitated by forces outside the founder's own timeline: a lead investor's fund reaching wind-down and forcing the question open, a co-investor's exit triggering drag-along rights, a board seat changing hands, or market conditions making this the moment a transition becomes financeable when it wasn't before. The founder may experience this as "we decided to transition" when a more accurate description is that the cap table's own clock decided the timing for them.

Situation B often persists longer than it should, not because the transition conversation isn't worth having, but because nobody in the room is incentivized to raise it. Investment committees and LPs rarely reward the time a GP spends opening a conversation that doesn't close a transaction, and founders rarely have a peer network or trusted advisor who has been through a comparable transition and can normalize the conversation. The gap here is frequently an ecosystem gap, a lack of visible examples, language, and low-stakes ways to start, more than a gap in any individual founder's or investor's willingness.

Situation C, discussed earlier as the most common and least examined situation, is often produced by the investor's fund or investment structure rather than the company's health: a fixed fund life and wind-down period set at fundraising, the need to show exits in the current fund while raising for the next one, LP return expectations shaped by conventional private equity timelines, and an industry track record that hasn't yet built the case for patient alternatives as a default rather than an exception. An investor who talks about mission and patient capital can still end up, at the exit, behaving like any other investor with an LP deadline, not because their values changed but because the vehicle they raised was never built to accommodate the timeline a mission-aligned exit actually needs.

What this means for you as the investor is that, across all situations, the most humanizing thing you can do is make the structural cause of your own behavior visible to the founder, rather than letting them infer motive from behavior alone. That means being explicit about which parts of a timeline, a preference, or a constraint come from your investment, your fund, your LPs, your co-investors, or the broader ecosystem you're operating in, and which parts are your own choice. It also means doing this early, because a founder who understands an investor's fund-life constraint two years before an exit has room to plan around it, while a founder who only learns about it in the final months experiences the same constraint as a betrayal, since there was never a chance to plan for it as a shared problem.

> **The honest tensions:** naming the system can slide into using it as an excuse. "It's not me, it's the fund" is often true, and it can also be a way of avoiding accountability for what the investor did or didn't do within their actual room to maneuver. A second tension is that this kind of transparency asks the investor to be vulnerable about their own limitations at a moment when the founder may already feel like the less powerful party in the relationship. Handled well, that vulnerability is what turns a negotiation into a partnership. Handled badly, it can read as the investor asking the founder to absorb the cost of constraints the investor's own choices, in fund design or co-investor selection, helped create.

What Happens When Things Aren't Working

Everything so far has assumed a company that is, in some basic sense, intact: a real business, a founder or team still standing behind it, a mission the company is still actually pursuing even if imperfectly. Situations A, B, C, and D are all versions of that story. They differ in urgency and initiative, not in whether the underlying enterprise is sound.

That assumption doesn't always hold. Sometimes the company is in genuine trouble, financially or operationally. Sometimes it looks fine on paper but has drifted from, or never actually delivered on, the mission that justified the investment in the first place. Both are common, and neither fits neatly into the four situations above, so pretending they do produces exits designed for the wrong problem. This section addresses both.

A distressed company is not another situation so much as what Situation A looks like when the transition isn't chosen but forced. The company is planning an ownership or capital change, technically the same starting point as Situation A, but the reason isn't a founder's succession plan or a considered move to steward ownership. It's a cash crisis, a broken covenant, a key customer or funder walking away, a leadership departure nobody planned for, or some combination arriving all at once. A similar logic applies to Situation C: if a founder is willing to stay and keep pushing the company forward even when things are rough, but the investor needs liquidity or at least an exit on paper, there is a point where the conversation around what happens now needs to be had.

The mechanics of why an exit is being considered may look similar to Situation A or C. What's different is everything downstream of it.

What changes when a company is distressed:

The timeline might not be yours to set, or the founder's. In a healthy situation, the tension is usually between the company's transition timeline and the funder's investment life, and there's room to negotiate that tension. In distress, the timeline is usually set by a covenant deadline, a runway calculation, or a creditor, and there is often very little room to negotiate it at all. This will be less true if it is a Situation C and you as the investor are pushing to leave the company.

The design questions get compressed, not skipped. Part 3's questions, who benefits, who decides, and who protects the mission, still apply, but there may be days or weeks to answer them instead of months or years. The honest version of impact-enhancing exit design in a crisis is not asking fewer questions. It's asking the same questions faster and with less information than you'd like.

The range of realistic methods narrows sharply. A patient, revenue-based buyback that gradually transfers ownership to employees requires a company with the cash flow to sustain it, and a distressed company frequently doesn't have that cash flow, which is the whole problem. Give away or write-off structures, or a fast sale to whoever can close quickly, become disproportionately more likely, not because they're the most impact-enhancing option in the abstract but because they're the options that are actually available.

Who decides gets crowded. Creditors, other investors with senior rights, and sometimes a court or insolvency process may hold more effective power over the outcome than either the founder or the impact investor, regardless of what anyone's values or intentions are. Being honest about this is part of doing the work well. An investor who keeps talking as though they're designing a considered transition, when in fact a secured lender is going to determine the outcome, is not protecting anyone.

What this means for you as the investor is that your job in a distressed exit is less about achieving the ideal configuration from Part 3 and more about damage control with intention: doing whatever is realistically possible, given the constraints, to protect what can still be protected. That might mean prioritizing one design question over the others because there isn't capacity to hold all three, or accepting an outcome that would look disappointing in a healthy Situation A because the honest alternative was liquidation with nothing preserved at all. The most impact-enhancing thing available to you might simply be making sure employees are treated fairly in a wind-down, or that a mission-aligned acquirer gets a real chance to bid even under time pressure, rather than achieving a full steward-ownership transition.

> **The honest tensions:** the primary tension is between speed and design. Crises reward the party that can move fastest, and the fastest available buyer is not always, or even usually, the most mission-aligned one. A second tension is between the investor's own exposure and the company's survival. An investor who is also owed money, or who sits senior to other stakeholders in the capital stack, has to be honest about where their own recovery and the company's best interest actually align, and where they don't.

PART 2: WHAT IS YOUR ROLE?

The Investor's Position in the Transition

Knowing why an exit is being considered is the first step. The second is being honest about what role you actually play in it, given your structural position, your relationships, and what the company's situation makes possible.

Impact investors sometimes overestimate their influence at exit. A 10% minority stake with no contractual rights and a founder who has made their wishes clear is a very different position from a 40% lead investor with board control and an aligned co-investor base, and the role you can play is shaped by your structural reality as much as by your intentions. Conflating the two leads to exit conversations that feel more like pressure than partnership.

There is also the challenge of balancing the needs of the investor against the needs of the founder and other leaders at the organization. It isn't always about the capital. It's also about the time and energy asked of both parties, especially the founders and leaders, and it's worth remembering that the founder is most likely closer to the company and what it needs. Investors can bring great ideas to this process, and should, but the founder often has a better contextual understanding of what is possible and what isn't.

Roles can also evolve. An investor who begins as a catalyst, opening a transition conversation the company hadn't started, may become a financing partner once the founder is on board. An investor who expected to be a clean exit partner may find, as the conversation deepens, that the company is further along in its transition thinking than anyone knew. The role you start with is not necessarily the one you finish with. What matters is being honest, at each stage, about where you actually are.

There are three roles you might find yourself in. They are not mutually exclusive, and they are not ranked.

ROLE 1

Financing Partner

Your exit mechanism is the capital that funds the company's next chapter. The way you recover your investment could be the same mechanism through which the company moves into new ownership. Ex. A redeemable share purchase where an employee pool buys your investor shares out over time. In Situation D, this can also mean subordinating or restructuring your position to make room for new capital, or providing bridge capital yourself.

Requires: genuine alignment between return expectations and transition capital needs. Patience on timeline. Fluency in available instruments.

Best suited: Situation A, sometimes B and D

ROLE 2

Catalyst for a Conversation

You raise the transition question before it becomes urgent with the founder, the board, or co-investors. Ex. You start the conversation early and start exploring options together.

Requires: trust in the relationship. Comfort with uncertainty. Transparency about your own interests. Accepting 'no' as a legitimate answer.

Best suited: Situation B, sometimes A

ROLE 3

Clean Exit Partner

Your job is to recover capital in a way that actively supports the company's stability. A clean departure, not a dramatic transition, done with care. Ex. You consent to the company's repurchase of your position, funded by a new bank loan or other financing.

Requires: a method calibrated to the company's capacity. Honesty with LPs or other funders. Attention to what you leave behind, even in Situation C.

Best suited: Situation C, sometimes A, B, and D

Financing Partner for the Transition

This is the role with the most direct impact potential and the most demanding requirements. When you are a financing partner for the transition, your exit mechanism is not separate from the company's next chapter; it is the capital that makes it possible, the same mechanism through which the company moves into new ownership, new governance, or a new legal form.

This might look like a redeemable equity structure where the company gradually buys back your shares and the new shareholders who acquire them are the employees who have been building the business alongside the founder. It might look like an impact buyback where the return you accept is partly financial and partly measured by the value created for other stakeholders, whether that's the impact on end customers, community ownership, or any other outcome the organization is committed to achieving. It might look like a patient negotiated exit where you accept repayment over a longer timeline specifically because that timeline gives the company the space to complete an employee ownership transition without financial pressure.

In Situation D, financing partner can mean something different. Rather than financing an ownership transition, you may be financing the company's own capital need directly, agreeing to

subordinate your existing position so new capital can come in senior to you, converting debt to equity on terms that make a financing round workable, or providing bridge or growth capital yourself. The underlying logic is the same as in Situation A: your financial position and what the company needs are worked out together, deliberately, rather than the company's need simply being absorbed by whichever party has the least leverage to resist it.

What these situations share is alignment between your need for liquidity and the company's transition design. The instrument you use to exit is chosen because it serves the transition, not despite the transition. Your financial return and the company's next chapter are not in tension. They are the same transaction, looked at from two different seats.

What this requires from you: financing the transition well requires genuine alignment between your return expectations and the transition's capital requirements. If the transition needs five years and your investment lifetime, fund, or vehicle has two, you are not a financing partner; you are a creditor with a countdown, and being honest about that distinction early saves everyone a painful conversation later.

It also requires fluency in the instruments available, since the right method for financing a transition depends on the company's cash flow, the legal structures available in the jurisdiction, the preferences of the incoming owners, and the timeline the transition actually needs. A redeemable equity structure that works beautifully for an employee buyout in the UK may not work at all in a jurisdiction without a clear legal framework for it, so getting this right requires legal and structuring expertise, and it is worth investing in that expertise early, before the timeline is tight and the options have narrowed.

Finally, it requires patience with the process, with the founder, and sometimes with your own LPs. Ownership transitions take time, since they require the incoming owners to develop financial literacy, governance readiness, and a collective sense of ownership, and rushing them produces bad outcomes. The investor who finances a transition well is the one who creates the conditions for it to succeed, not just the one who funds it.

> **The honest tensions:** the deepest tension in this role is the gap between the transition timeline and the investment life. An employee ownership transition designed to unfold over four years does not fit neatly into a fund or investment lifetime with eighteen months remaining. The resolution often requires one of three things: LP flexibility on the fund timeline, a creative structuring of interim liquidity for the investor while the transition completes, or a secondary sale of part of the investor's position to a patient capital vehicle that can hold through the transition. None of these is simple, but all of them are worth exploring before concluding that a clean trade sale is the only option.
> A second tension is the risk of the investor's financial needs distorting the transition design. If the redemption payments required to satisfy the investor's return are too large for the company's cash flow, they create exactly the pressure the transition was designed to avoid, forcing the company to extract value from its operations at the moment it most needs to invest in new ownership structures. The financing partnership only works if the instrument is calibrated to what the company can support.

Catalyst for a Conversation

This is the role that requires the most relational skill and the most restraint. When you are a catalyst, you are not financing a transition already in motion. You are raising a question that hasn't been asked yet, with the founder, with the board, and potentially with other investors in the room whose alignment matters for what's possible.

Done well, this is one of the most valuable things an impact investor can do across an entire investment lifecycle: not just providing capital, but providing a frame. It's not just sitting on a board, but opening a conversation about what the board is ultimately for, so that a founder who, after years of running a mission-driven business, is finally asked directly what they want this company to be after they're no longer running it, and given the time and the relationship to answer honestly.

Done badly, it is pressure dressed up as curiosity. It is an investor advancing their own impact narrative at the founder's expense, or a sophisticated argument for why the founder should accept a different outcome than the one they wanted, delivered by someone with contractual rights, an investment life or portfolio liquidity expectations, and reasons to want the story to end a particular way.

The difference between these two things is real, and it lives almost entirely in the quality of the relationship and the sincerity of the question.

What this requires from you: being a genuine catalyst requires entering the conversation without a predetermined answer. You are not raising the transition question because you have decided that an employee ownership structure is right for this company and are now trying to bring the founder around. You are raising it because you believe the question deserves to be asked, and because you are curious about what the founder thinks.

It requires timing, since the transition question raised three years before exit pressure arrives is a thoughtful board-level conversation about the company's long-term future, while the same question raised three months before the fund life ends is a negotiation. The earlier you open the conversation, the more room there is for it to be genuine.

It requires comfort with uncertainty, including the uncertainty of a founder who says no. If the founder hears the question, thinks about it seriously, and concludes that a conventional sale or a simple buyout is the right outcome for them, that is a legitimate answer, and your role as a catalyst does not include a mandate to keep pushing until the answer changes.

And it requires you to be transparent about your own interests, since you have a stake in how this exit story is told. Your LP narrative, your portfolio impact report, and your own sense of what good impact investing looks like are not neutral, and being honest about them, rather than presenting yourself as a purely disinterested questioner, is part of doing this with integrity.

> **The honest tensions:** the most important tension in this role is the power dynamic. You are not a peer in this conversation. You are an investor with contractual rights, a seat at the board table, and the ability to make the founder's exit easier or harder, and that power does not disappear because you are asking a sincere question. The founder knows it is there. A catalyst role requires you to be actively aware of how your structural position shapes the conversation and to take steps to counteract it where you can, whether that means having the conversation outside a board meeting, being explicit that you will support the founder's decision whatever it is, or inviting an independent facilitator into the process.
> A second tension is the question of other investors. If you are one of several investors in the company, opening a transition conversation with the founder creates an expectation that may be difficult to fulfil if your co-investors are not aligned. Before you catalyse a conversation about employee ownership or steward ownership with the founder, it is worth knowing whether the rest of the cap table would support it, since a founder who gets excited about a transition and then discovers their other investors won't agree to it is in a worse position than before the conversation started.

Clean Exit Partner

This is the role that asks the least of the story and the most of the execution. When you are a clean exit partner, your job is straightforward in principle and difficult in practice: to recover your capital in a way that actively supports the company's stability, respects the founder's intentions, and leaves the mission at least as protected as it was when you arrived.

Here, there is no ownership transition to finance and no conversation to catalyse. There is an investment that has run its course, a fund life reaching its end, an LP obligation falling due, a position that needs to be realised, and a company that deserves to come through that process intact.

This matters more than it sounds. The history of impact investing contains many examples of investors who believed themselves to be clean exit partners and were not, who forced a timeline the company couldn't accommodate, who brought in a buyer without adequate diligence on mission alignment, or who accepted terms that extracted more value from the enterprise than its cash flow could support. A clean exit is not just the absence of a dramatic transition, but an active commitment to leaving well.

In Situation D, being a clean exit partner takes on a harder edge. You are not stepping back because your own timeline requires it, but because the company's need for new capital requires it. The commitment to leaving well matters just as much here, arguably more, because the pressure to close quickly and the leverage imbalance, since the company needs the capital more than you need to hold your position, can make it easy to accept a departure that is clean for you but leaves the mission unprotected. Negotiating for the new capital provider's alignment with the mission, even partially, as a condition of your own step-back is part of what distinguishes a genuine clean exit partner from one who simply takes whatever exit is offered.

What this requires from you: a method calibrated to the company's capacity, whether that means revenue-based payments the company can actually support, a buyback timeline that fits the

cash flow, or a secondary sale to a buyer evaluated for mission alignment, not just for price.

It requires honesty with your LPs about what a clean exit means in this context. If the cleanest exit available is a gradual redemption over three years rather than a trade sale in six months, that conversation needs to happen with your LPs before it becomes a crisis. The investors who manage this well are the ones who have built LP expectations that accommodate the reality of exiting from mission-driven enterprises, not the ones who promise conventional returns and then scramble when the exit doesn't fit the conventional playbook.

It requires attention to what you leave behind. Even in a clean exit, perhaps especially in a clean exit, the three questions from Part 3 still apply: who benefits from the transaction terms you negotiate, who holds power after you leave, and what protections, if any, can be embedded in the exit terms to make the mission more durable. These questions apply in Situation C just as they do in Situations A, B, and D. A clean exit that also strengthens the mission's legal protection, even modestly, even through a single covenant in the sale agreement or a simple long-term reward for staying on impact track, is a better outcome than a clean exit that leaves the mission exactly as unprotected as it was before.

And it requires you to stay open to the conversation evolving. A company that is firmly Situation C today may not be Situation C in a year. Part of being a good clean exit partner is leaving the door open, not as a way of continuing to push your own agenda, but as a genuine signal that if the company's thinking changes, you are still willing to have a different conversation.

> **The honest tensions:** the primary tension in this role is the investor's timeline versus the company's rhythm. An LP deadline is a real constraint that does not always align with what the company needs, and the resolution requires creativity, transparency with LPs, and sometimes a willingness to accept outcomes that are financially suboptimal in order to avoid ones that are structurally damaging.
> A second tension is the temptation to upgrade the narrative. A clean exit through revenue-based redemption is a good outcome, but it is not as compelling a story as a community buyout or a perpetual purpose trust, and there is sometimes pressure, from LPs, from impact report writers, or from the investor's own sense of what their portfolio should look like, to make it into more than it is. Resisting that pressure, and being honest that this was a clean, respectful departure rather than a dramatic transition, is part of integrity in this role.

> *A note on roles and structural position: the role you can play is not just a matter of intention, but is shaped significantly by your structural position in the deal and the structure of your vehicle, which you may want to reconsider for the future if it repeatedly proves not fit for purpose. A 5% minority investor with no contractual rights and a commercially focused co-investor base has real options, but they are different options from those available to a 40% lead investor with board control and an aligned cap table. Being honest about your structural position, and about what it does and does not allow, is the foundation of playing any of these roles well.*

PART 3: WHO BENEFITS, DECIDES, AND PROTECTS?

The Design Questions

These are the questions that most exit conversations skip, not because investors don't care about the answers but because the conventional exit process doesn't create space to ask them. The lawyers are focused on the transaction, the LPs are focused on the return, and the founder is focused on what comes next for them personally, even if they don't leave the company after the investor exits. The questions of who benefits from what was built, who holds power over what comes next, and what survives the transaction get answered by default, based on the standard equity playbook, rather than by design.

This section asks them explicitly, not as a checklist, since there is no correct configuration of these three dimensions and this playbook is not trying to argue for one, but as a genuine design space. The exit is a moment when choices are being made, and these questions make those choices visible.

Each question has two dimensions: what happens at the exit itself, and what persists in the ongoing company. They are related but distinct, and conflating them is one of the most common sources of confusion in exit conversations. A transaction can be designed to distribute value broadly at the moment of closing while leaving the ongoing company's governance unchanged. A governance structure can be deeply democratic without any particular protection for the mission. Legal mission protection can be strong without altering who receives the financial returns. These dimensions interact, since pulling one lever affects the others, but they are separable, and each deserves its own attention.

	At the exit	In the ongoing company
Who benefits? *(and how much?)*	Who receives value from the transaction: proceeds, capital gains, value unlocked at the moment of transfer? And how much? *Options include distributing to:* • Investor + founder only • Employees • Communities • Public-benefit entity • Back into enterprise	Who captures value going forward and how much using which logic: profits, surplus, the wealth the enterprise continues to generate? *Options include:* • Traditional retained earnings • Employee profit share • Community dividend (or other community impact) • Mission-locked surplus in perpetuity • Capped (e.g., a fixed return, a dividend ceiling)
Tension: the founder's fair return versus employees who built the company without equity. Investor return requirements versus keeping capital in the mission.		

	At the exit	In the ongoing company
Who decides?	Who has power over how the transaction is structured: terms, buyer selection, conditions? This is shaped by contractual rights agreed at investment: drag-along, tag-along, Right of First Refusal (ROFR), board composition, and by the distribution of voting rights. It is also shaped by the investors' willingness to engage in the exit process in a way that empowers the leaders at the organization.	*Who holds governance power after the investor leaves, and through what mechanism is that power passed on and sustained?* *Options for who holds governance power include:* • Concentrated founder/owner control • Independent board • Steward council • Employee + community representatives *Options for governance mechanisms include:* • Board appointment rights • Voting trusts • Share class design • Bylaws • Foundation charter
Tension: governance that is distributed is not the same as governance that is accountable. The readiness of incoming stewards matters as much as the structure itself.		
Who protects the mission?	What protections are negotiated into deal terms: impact covenants, buyer criteria, post-exit reporting and incentives? *Options include:* • No protection • Soft commitments • Binding covenants with breach consequences • Rewards	What legal structures embed purpose into the enterprise regardless of future ownership? *Options include:* • B Corp certification • Golden share • Asset lock • Steward ownership • Perpetual Purpose Trust
Tension: durability versus flexibility. Mission-locked structures are hard to change even when the world changes. Available structures vary significantly by jurisdiction.		

1. Who Benefits?

At the exit

When the transaction closes, value moves. Shares are bought and capital gains are realised, and the question of who receives that value is one of the most consequential choices in the entire

exit process, and also one of the least examined.

The conventional default concentrates exit value with the investor and the founder. This is not inherently wrong, since investors need returns to keep deploying capital and founders deserve to be rewarded for what they built. But the exit transaction is also one of the rare moments in a company's life when the distribution of value can be deliberately designed, and the range of configurations available is much wider than most exit conversations acknowledge.

Underneath the question of who receives value sits a second one: how much value there is to distribute, and how that number gets set. A valuation-driven exit prices the transaction against what a willing buyer would pay, whether or not the company can comfortably fund it. An affordability-driven exit starts instead from what the company can pay without straining its operations or its mission, and lets the price follow from that. A formulaic exit sets the number in advance through a fixed multiple, a pre-agreed return cap, or a similar mechanism, independent of both market price and current cash flow. These produce materially different outcomes even when the answer to who benefits looks the same on paper, so it is worth treating how much, and on what basis, as its own design decision rather than letting it default to whatever number the lawyers or the market arrive at first.

At one end, exit proceeds flow entirely to the investor and founder through a trade sale, a secondary sale of the investor's position, or a standard equity buyback. At the other end, exit structures can be designed so that the value released at the moment of transaction flows to employees, to a community organisation, to a public-benefit entity, or back into the enterprise itself. Between these ends lies a wide range of configurations: partial employee buyouts that transfer meaningful ownership stakes while still generating investor returns, impact buyback structures where the investor accepts a below-market return in exchange for the company retaining more capital for the transition, philanthropic exits where part or all of the investor's position is donated or written off to make a particular ownership structure possible, and ecosystem-focused exits where value can be recycled into the broader ecosystem to help more enterprises grow, transition, and remain stewarded over time.

What shapes this is primarily the method chosen, since the financial instrument through which the investor exits determines where the money flows. A redeemable equity structure that lets employees gradually purchase the investor's shares produces a very different distribution of exit value than a trade sale to a strategic acquirer, and a revenue-based repayment that keeps capital circulating within the enterprise is a different thing from a balloon payment that extracts it in one transaction. The method is not neutral, and is instead the mechanism through which the distribution of exit value is determined, which is one of the reasons this playbook treats method as a downstream choice from the design questions rather than an upstream one.

In the ongoing company

Who benefits at the exit and who benefits from the company going forward are related questions but not the same one. A founder who receives a significant return at the moment of

sale, a fair reward for what they built, may simultaneously structure the ongoing company so that future profits flow to employees, to a community organisation, or back into the mission in perpetuity. Or an investor who exits at a modest return may leave behind a company whose ownership structure concentrates future value in exactly the same way it always did, just with a different set of shareholders at the top.

The question of who benefits, and how much, 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 owned by a community development organisation circulates its surplus in the communities it serves. A company held in a perpetual purpose trust generates returns that serve its mission. A conventionally owned company concentrates its future value with whoever holds the equity, which, after a standard trade sale, may be an investor or acquirer with no particular commitment to mission.

These configurations are not ranked by the playbook, but they are distinguished by their consequences, and the consequences compound over time. A company that distributes its surplus broadly for twenty years creates a qualitatively different economic reality for the people around it than one that concentrates it at the top. The exit is the moment when that trajectory is set, or reset.

The honest tensions: the most common tension in the who benefits question is between the investor's return requirements and the breadth of value distribution the transition could enable. A fully concessional exit, writing off a position, donating shares, or accepting below-market returns, may be the only way to make a particular ownership structure financially viable, but this typically requires full investor consent, which in a traditional LP or GP relationship may conflict with fiduciary obligations and is not always possible within the constraints of a conventional fund structure. Being honest about those constraints, rather than implying they don't exist, is part of designing a realistic exit.
A second tension is the question of how much return is enough. Investors and founders often default to standard fund return expectations without asking whether that particular return profile is right for this exit. The range runs from unlimited financial participation, a conventional equity return with no ceiling, to various forms of capped returns: a fixed multiple, a return capped at a defined timeframe, or upside limited by a pre-agreed formula. Neither end of that range is inherently more virtuous. A capped return is not automatically more mission-aligned, and an uncapped return is not automatically extractive. What matters is whether the return profile was chosen deliberately, in light of what the company and its ownership structure can actually sustain, rather than inherited by default from the fund's standard terms.

A third tension is between short-term transaction value and long-term wealth distribution. An employee buyout that transfers significant ownership to workers generates less immediate liquidity for the investor than a trade sale to a well-capitalised acquirer, and the impact case for the employee buyout may be strong, but the financial trade-off is real, and pretending otherwise does not serve anyone.

A fourth tension is the question of the founder's own return. A transition to community ownership or a perpetual purpose trust may mean trade-offs for a founder or leadership team in some cases, though the outcome will depend on liquidity timing, governance design, retained upside, and long-term value creation. The personal financial and structuring decisions belong to the founder or leadership team, not to the investor. The investor's role is to make the full range of options visible, including their financial implications, not to make the choice for the founder or to pressure them toward the option that produces the best impact story.

2. Who Decides?

At the exit

Before the question of who holds governance power in the ongoing company, there is a prior one: who holds power over the exit transaction itself? Who decides whether this company is sold, to whom, on what terms, and when?

The answer is largely determined by the ownership structure, the distribution of voting rights, and the contractual obligations agreed at the time of investment, and many investors discover, at the moment of exit, that they have more or less power than they assumed. This cuts in both directions. An investor may hold drag-along rights that let them compel a sale despite owning a minority stake, or a founder may hold majority ownership, super-voting shares, or a dual-class

structure that leaves the investor with very little say regardless of how much capital they contributed.

Drag-along rights allow a majority investor to compel minority shareholders to sell. Tag-along rights allow minority investors to participate in a sale on the same terms as the majority. Right of first refusal gives certain shareholders the ability to match any offer before it can be accepted, and board seats give investors influence over the decision-making process even without majority ownership. These rights were negotiated years ago, in a different context, and they determine what is structurally possible now.

Understanding your contractual position clearly, and being honest with the founder and co-investors about what it does and does not allow, is the foundation of a fair exit process. An investor who has drag-along rights and could technically force a sale but chooses not to is making a meaningful choice. An investor who does not have those rights but behaves as if they do is creating confusion and eroding trust.

The power dynamics at the exit also involve the founder, whose position is often more constrained than either party acknowledged when the investment was made. A founder who signed drag-along rights in year two, in the excitement of a funding round, may not have fully understood what those rights meant for their agency at exit. Part of being a good investor in the exit process is being transparent about what you have the right to do and what you are choosing to do, rather than using contractual leverage as a silent background pressure.

Beyond the legal rights, there is the question of who is involved in the exit conversation at all. Is the founder a genuine co-designer of the exit process? Are employees consulted about an exit that will directly affect their livelihoods? Are community stakeholders, the people the enterprise was built to serve, given any voice in a transaction that will determine whether the enterprise continues to serve them? Most exit processes answer these questions by default: the investors and the founder negotiate, the lawyers draft, and everyone else finds out when the deal is done. There are alternatives, and some of the most durable impact-enhancing exits are the ones where a broader group of stakeholders was brought into the conversation early enough to shape it.

In the ongoing company

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

This question determines the long-term trajectory of the company more 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. A company with strong mission-aligned governance can survive an imperfect ownership structure, but a company with weak or misaligned governance will eventually be redirected by whoever holds the power, regardless of what the ownership structure says.

The configurations available are wide. A single founder or new controlling owner holds concentrated governance power, which can be highly effective if their values are aligned and deeply risky if they ever change. An independent board with fiduciary obligations holds governance power on behalf of shareholders, which is stable but dependent on board quality and composition. A steward council with a defined mission mandate holds governance power accountable to purpose rather than to financial return, which is durable but requires careful design and ongoing maintenance. Employee directors or community or nature representatives on the board distribute governance power to the people, or the planet, most directly affected by the enterprise's decisions, which can be deeply legitimate but requires investment in governance readiness.

None of these configurations is inherently superior. A small, mission-committed steward council can be far more effective at protecting the enterprise's purpose than a large, diverse board that cannot make decisions. A founder with concentrated governance power and deep community accountability can steward an enterprise more responsibly than a formal multi-stakeholder governance structure that exists on paper but not in practice. What matters is not the form of governance but whether the people who hold power are the right ones for this enterprise, and whether their accountability is explicitly designed rather than assumed.

The investor's role in shaping ongoing governance is often limited once the exit is complete, which is precisely why it matters to think about this during the exit process rather than after. The governance structure that will persist once you leave is being designed, or defaulted into, in the conversations you are having now. If you have a view about what governance would best serve this enterprise and its mission, and the relationship and structural position to advocate for it, the exit process is the moment to do it.

The honest tensions: underneath these trade-offs sits a more basic one. Conventional ownership defaults to allocating power by one of two logics, capital contributed or heritage, whoever put in the money or whoever founded or inherited the business. Neither default was ever a deliberate answer to the question of who should hold power and why. They are simply what happens when nobody asks the question, so raising it at all is a design choice, and it can feel destabilizing less because it is wrong and more because it departs from a logic everyone has taken for granted.
The deepest tension in the who decides question is between governance that is legitimate and governance that is effective. A multi-stakeholder governance structure that truly represents the interests of employees, communities, and mission may be slow, complicated, and difficult to maintain. A concentrated governance structure may be fast and decisive but fragile, dependent on the continued alignment of whoever holds the power. These are real trade-offs that do not resolve cleanly in favour of either configuration. The right governance structure for a particular enterprise depends on its size, its stage, its mission, its relationships, and the specific people available to populate its governing bodies.

A second tension is between the investor's governance preferences and the founder's. An investor who believes strongly in steward ownership as a governance model may be in genuine conflict with a founder who wants to maintain concentrated control. That conflict deserves to be named and worked through honestly, not papered over with language about alignment that doesn't exist.

A third tension is the question of governance readiness. A transition to employee governance requires employees who are prepared for it, financially literate, collectively organised, and motivated to take on the responsibilities of ownership. A transition to community governance requires a community entity with the capacity to hold that role. The most carefully designed governance structure in the world fails if the people meant to populate it are not ready, which is why building governance readiness during the holding period, not just at the exit, is one of the most underinvested aspects of impact-enhancing exit design.

3. Who Protects the Mission?

At the exit

The exit transaction is a moment of vulnerability for the mission. The investor who cared about it is leaving, the founder may be leaving too, and none of the relationships, the culture, or the informal commitments that have held the mission in place travel with the shares when they change hands. What can travel, if it is designed into the exit, is a legal commitment.

At the transaction level, mission protection takes several forms. Impact covenants negotiated into the sale agreement can require a buyer to maintain specific operational commitments, employment levels, community programmes, or pricing structures for a defined period after the transaction. Buyer selection criteria can make mission alignment a condition of the sale rather than a nice-to-have. Post-exit reporting obligations and incentives can create accountability for how the enterprise performs against its stated purpose after the investor has left. Governance rights retained by a foundation or public interest entity can give a third party the ability to challenge decisions that contradict the mission.

Transaction-level protections are also only as durable as they are enforceable, and enforceability is not guaranteed. A covenant is a promise embedded in a contract, and contracts are tested most severely at exactly the moments when they are inconvenient, often a few sales removed from the original transaction, when a subsequent owner operating under a conventional shareholder-value logic treats the covenant as a cost to be negotiated or litigated away rather than a commitment to be honoured. None of this is as durable as a structural legal protection embedded in the company itself, but these protections are available at the transaction level even when the company's legal structure is unchanged, and they can make a meaningful difference, particularly in the years immediately following an exit when new owners are establishing their relationship with the enterprise.

The investor's leverage to negotiate these protections is highest at the moment of exit, when the deal needs to close and the buyer is motivated to agree to reasonable conditions. Using that leverage thoughtfully, asking for protections that are meaningful rather than symbolically satisfying, is part of being a responsible exit partner.

In the ongoing company

Transaction-level protections are inherently temporary. A covenant in a sale agreement that requires the buyer to maintain a community programme for three years does not protect the mission in year four, and a buyer selection process that identifies a mission-aligned acquirer does not guarantee that the acquirer's values persist through a leadership change or a subsequent sale. If the mission is to be protected beyond the immediate exit, durably and structurally, regardless of future ownership, it needs to be embedded in the company's legal architecture.

The range of available structures runs from relatively light to lasting in perpetuity. B Corp certification creates accountability and a community of practice but provides no legal protection. Contractual covenants between shareholders can protect specific mission commitments but expire or become renegotiable over time. A golden share held by a foundation or public interest entity gives a third party the ability to block decisions that contradict the mission, durable as long as the golden share structure is maintained. An asset lock embedded in the company's articles of association prevents the company's assets from being distributed for private benefit, effective but constraining. A perpetual purpose trust holds the company's shares in trust for its stated purpose in perpetuity, the most durable option available and the most complex to establish.

Steward ownership arrangements, which separate voting rights from economic rights and place voting control with stewards bound to the mission, sit across several of these categories. A steward-owned company can be structured in multiple ways depending on jurisdiction and legal context, but the core principle is consistent: control over the company stays with the people connected to the company and its mission, that control cannot be sold, and the purpose the enterprise was built to serve remains in focus regardless of who holds the economic rights.

This makes steward ownership one of the most durable forms of ongoing mission protection available, and one of the most commonly misunderstood, since it looks different in different legal contexts and does not map neatly onto conventional ownership categories.

The investor's ability to influence the ongoing mission protection structure depends significantly on their structural position and the timing of the conversation. An investor who raises the question of legal mission protection during the holding period, years before the exit, has far more ability to influence the outcome than one who raises it in the final months before the transaction closes. Legal structures like perpetual purpose trusts require time, legal expertise, and founder conviction to establish, and they cannot be retrofitted overnight. The earlier the conversation begins, the more options remain open.

> **The honest tensions:** the most important tension in mission protection is between durability and flexibility. A perpetual purpose trust protects the mission absolutely, and absolutely means the mission cannot be changed even if the world changes around it and the original purpose becomes outdated or counterproductive. A less rigid structure allows the mission to evolve but creates vulnerability to mission drift. The more consequential version of that drift is usually not the mission itself evolving in response to changing circumstances, which can be healthy, but a quieter reprioritization toward shareholder value and short-term profit that pushes the mission out of focus altogether. The right balance between these depends on the specific mission, the governance quality of the people responsible for stewarding it, and the legal context in which the structure operates.
> A second tension is between mission protection and company adaptability. A heavily mission-locked company may struggle to attract capital for growth, to adapt its strategy in response to market changes, or to recruit leadership who want meaningful agency over the enterprise's direction. Mission protection is not cost-free, and the costs are worth understanding before committing to the most restrictive available structures.
>
> A third tension is jurisdiction. The legal structures available for mission protection vary enormously by country. Perpetual purpose trusts are not available universally, employee ownership trusts have a specific legal framework in the UK that does not exist in most other jurisdictions, and steward ownership arrangements are structured differently in Germany, the Netherlands, France, and the US. An investor working across multiple geographies needs to understand that the protection available in one context may simply not exist in another, and should seek local legal expertise rather than assuming that what worked in one jurisdiction will work in another.

A closing note on how the three questions interact: these three questions are not independent. The answers to each one shape what is possible in the others, and the most durable impact exits are the ones where all three have been considered together rather than sequentially.

Who benefits shapes who has a stake in governance. If employees hold economic rights in the company, they have a material interest in how it is governed, and governance structures that exclude them from power will eventually create tension. If the mission owns its own surplus, the governance question becomes who stewards that mission and to whom they are accountable. Naming a steward is not the same as making stewardship real. That depends on what actually incentivizes the steward to act in the mission's interest, whether through how they are compensated, how their appointment and removal are structured, or what they are required to report on, and on whether there is a live practice of accountability, a board, a community, a peer network, that holds them to it in ways a governing document alone cannot.

Who decides shapes how the mission is protected. A governance structure accountable to mission-driven stewards creates the conditions for strong mission protection, while a governance structure accountable to financial return creates pressure against it regardless of what the legal protection documents say.

How the mission is protected shapes who can benefit in the future. An asset lock that prevents private benefit distribution changes the entire calculus of who would want to own this company and why, and a perpetual purpose trust that holds shares for a stated mission removes the possibility of a future extractive sale, which protects the mission but also changes the enterprise's relationship to capital markets.

While a strong mission and mission protection are a foundation for meaningful company impact, they do not guarantee it. It is entirely possible to have strong mission alignment and well-designed mission protection while still underperforming in delivering real-world impact for communities or the planet. This implies that designing governance, ownership, and financing terms should not stop at questions of mission and control, but in some cases should also include mechanisms that enable and encourage actual impact performance after the exit, such as covenants linked to long-term impact and rewards or penalties tied to impact performance.

None of this argues for a single configuration. It argues for thinking about all three questions at the same time, 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 exits design. It is not simple, but it is worth doing.

PART 4: HOW?

The Method

You have thought about why the exit is happening, what role you are playing in it, and who should benefit, decide, and protect the mission. Now comes the how: the financial mechanics

through which you actually recover your capital and through which the company moves into its next chapter.

Method is the how to the why, the what, and the who. It is the instrument that translates your intentions into a transaction, and it is also the dimension that most exit conversations start with, which is exactly the wrong order. An investor who begins with how do we structure the exit has already narrowed the design space before the most important questions have been asked, and has implicitly answered many of them without fully thinking them through. An investor who begins with the three questions from Part 3, and then asks what method enables those answers, has access to a much wider range of possibilities.

That said, method is not merely a downstream consequence of the design questions. It is also a real constraint, since the company's cash flow determines whether revenue-based repayments are viable. The legal jurisdiction determines which ownership structures are available. The investor's fund life or portfolio expectations determine how much timeline flexibility exists, and the co-investors' preferences determine what a majority can agree to. The method is chosen in the space between what you want to achieve and what is actually possible, and navigating that space well is the practical work of exit design.

If you already hold a stake in this company, the method question starts from what you currently hold and works outward from there. What can this instrument become? What payment structures are available given the company's financial reality? And critically, how does the method chosen interact with the situation you are in?

In Situations A and B, where a company-level ownership transition is happening or worth considering, the method question operates at two levels simultaneously. At the investor level, how does this specific investor recover their capital? At the company level, how is the ownership transition financed, and how does the investor's exit mechanism serve or constrain that transition? These two levels are related but distinct, and the most powerful exits in Situations A and B are the ones where the investor-level method and the company-level financing are designed together rather than separately.

In Situation C, where the company wants to continue as is, and the investor needs liquidity, the method question is primarily at the investor level. There is no company-level transition to finance. The question is how the investor recovers their capital cleanly, without forcing change the company didn't ask for and without destabilising what has been built. The company-level consideration in Situation C is not transition design but protection: ensuring the method chosen leaves the company's stability, mission, and governance intact.

In Situation D, where the company itself needs capital, the method question operates at both levels again, but inverted from Situations A and B. There, the company-level design, the transition, usually comes first, and the investor's exit is chosen to serve it. In Situation D, the company's capital need typically comes first and is often externally driven, whether by a financing round, a lender's requirement, or a growth opportunity with a closing date, and the

existing investor's method has to fit around it, on a timeline and on terms frequently set by the incoming capital provider rather than negotiated freely between investor and company.

There are four categories of method. Most thoughtful exits use a combination, sequenced, layered, or structured in parallel, to serve both the investor's liquidity needs and the company's transition design. The combination option is not a residual category, but often the most sophisticated and most impact-enhancing choice available.

	BEST SUITED TO	SITUATIONS	KEY TENSION
1 Repay / Buyback Over Time	Cash-generative companies. Aligned founders. Longer time horizons. When the investor's exit can fund the transition.	All four situations, but looks different in each. Funds the transition in A and B; provides breathing room in D; protects continuity in C.	Variable timeline versus investor pressure for faster returns. The repayment obligation must not distort company behaviour.
2 Buyout at a Point in Time	Clear liquidity event. Incoming ownership entity is ready and financing is in place.	Best in A when the transition is mature. B when design work is complete. C when a clean secondary sale is possible. D when a new investor buys out the existing position entirely.	Price: fair to the investor may be unaffordable for incoming owners. Readiness of the incoming entity matters as much as the structure. Where both investor and founder exit together, balancing what each contributed adds a further tension.
3 Give Away / Write Off	When the investor's stake is the primary obstacle to completing a mission-aligned transition.	Most powerful in A and B as a transition enabler. Available in C as a clean release. Common in D as the price of making new capital viable.	Fiduciary obligation: many funds are not structured to permit this. Tax implications also need to be considered.
4 Combination	Complex situations with multiple parties and goals. Most thoughtful exits. When no single instrument achieves the design.	Most natural in A and B. Occurs in C and D too.	Complexity versus resilience. A combination must produce a clear answer to the three questions. If it doesn't, simplify.

Repay or Buyback Over Time

You already hold a stake, so the question in this category is not whether to find a buyer but how to restructure what you hold into something that generates returns over time, calibrated to the company's financial reality and, where relevant, to the transition being designed. The starting point is what you currently hold.

If you hold equity, the pathway is converting your existing shares into redeemable shares, shares that the company has the right or obligation to buy back over a defined period, at a predetermined price or formula. The buyback payments can be structured in several ways. A revenue-based structure ties payments to a percentage of the company's revenues, lower in lean periods and higher when the company performs well, naturally calibrated to what the business can actually support. A cash flow-based structure ties payments to the company's free cash flow after operating costs. An affordability-tested structure sets payments based on a periodic assessment of what the company can actually sustain, reviewed at defined intervals. An impact-based structure allows some or all of the payment to be made in impact rather than cash, measured in ownership transferred, community benefit generated, or mission commitments formalised. Combinations of these are common and often appropriate.

If you hold a debt-like instrument, a convertible note, a loan, or a quasi-equity structure, the pathway is commencing repayments over time rather than triggering a conversion or demanding a balloon payment. The same payment structures apply: revenue-based, cash flow-based, affordability-tested, impact-based, or a combination. The key difference from equity is that the obligation is already defined in the instrument, so the question is whether the terms can be renegotiated to better serve the company's capacity and the transition design, or whether the existing terms are workable as they stand.

In Situation A, active transition, repay or buyback over time is the method most naturally suited to financing the ownership transition itself. At the company level, seller financing, where the investor accepts payment over time rather than requiring full payment at closing, makes the transition financially accessible for incoming owners who could not otherwise fund it. Employees buying into ownership do not need to raise the full purchase price upfront. They pay for it from the company's revenues over time, as the investor's shares are gradually redeemed. The same logic applies to a community organisation, a social enterprise, or a perpetual purpose trust or other steward ownership entity taking on ownership. Redeemable shares being retired by the investor can, in the same transaction, be reissued to the new ownership entity, transferring ownership gradually as the buyback proceeds. The investor's exit and the company's transition are not separate transactions. They are the same transaction, looked at from two different seats.

In Situation B, transition worth considering, the repay or buyback structure creates time. By converting the investor's position into something that generates returns over a defined period rather than requiring an immediate transaction, it opens a holding period during which the transition conversation can develop honestly, without the pressure of an imminent exit forcing

premature decisions. The company has space to explore what transition might look like, the founder has space to think, and the employees or community stakeholders who might become owners have space to develop readiness. At the company level, if a transition does begin to take shape during this period, the repayment structure can be adapted to serve it, incorporating seller financing, adjusting the payment timeline, or converting part of the financial return into an impact return as the transition design becomes clearer.

In Situation C, investor needs liquidity, company continues, the method operates primarily at the investor level. The company is not transitioning. It is continuing. The repayment structure is designed to return the investor's capital cleanly, at a pace the company can actually support, without placing the enterprise under financial pressure or forcing operational decisions that serve the repayment schedule rather than the mission. At the company level, the consideration is protective: the repayment structure should leave the company's stability, governance, and mission orientation intact when the obligation is fulfilled.

In Situation D, company needs liquidity, the repayment or buyback structure can provide exactly the breathing room the company needs. Rather than requiring a full buyout upfront, which the company cannot finance while also raising new capital, the investor agrees to a reduced, deferred, or subordinated repayment schedule that frees up the balance sheet capacity a new capital provider requires. The company gets the capital it needs now, and the exiting investor recovers their position gradually, often behind the new capital in priority. The honest reality is that this repayment is frequently renegotiated downward or slowed further if the company's situation doesn't improve as hoped, and the investor should enter this structure understanding that Situation D repayment plans carry more execution risk than the equivalent structures in A, B, or C.

> **The honest tensions:** the primary tension across all situations is timeline versus investment or vehicle life or portfolio expectations. Gradual repayment structures are inherently slower than a point-in-time transaction, and the investor's fund or vehicle obligations or portfolio expectations may not accommodate a multi-year repayment schedule. This tension does not always resolve in the company's favour, but it is worth exploring creatively, through LP conversations, through interim liquidity mechanisms, or through partial exits that provide some capital return while the full repayment completes, before concluding that a faster transaction is the only option.
> A second tension is the risk of the repayment obligation distorting the company's behaviour, particularly in Situations A and B, where the company is simultaneously managing a transition, the operating business, and repayment obligations. A payment structure calibrated to the company's actual operating rhythm, with genuine flexibility in difficult periods, is the foundation of a repayment arrangement that serves the mission rather than undermining it.

Buyout at a Point in Time

Sometimes the right method is a single transaction: the investor's stake is purchased in full, the capital flows, and the exit is complete. In the context of this playbook, this category is not about

conventional trade sales to financial acquirers, 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 of the company in a defined transaction, with the investor exiting cleanly at the point of closing.

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

At the investor level, across all four situations, the investor's entire stake is purchased at a defined price in a single transaction, and the investor exits cleanly and completely. The financing of that purchase is the company-level question.

At the company level in Situation A, active transition, the transition design is already underway. The buyout is the culminating transaction of a process that has been in preparation, whether that's an employee trust that has been established, a community organisation that has developed its governance capacity, or a social enterprise acquirer whose mission alignment has been verified. The financing of the buyout comes from one of three realistic sources. Cash in the business, retained earnings or reserves built specifically for this purpose, is the cleanest option but relatively rare. External financing, a bank loan, a social lender, a development finance institution, or an impact investor willing to provide acquisition capital, is the more common pathway, with the new ownership entity borrowing the capital needed to complete the buyout and repaying it over time from the company's revenues. Identifying the right financing partner early, during the holding period rather than at the exit moment, is part of what makes a viable buyout possible. A secondary sale to a mission-aligned investor, potentially one already known to the company, potentially an existing co-investor increasing their stake, with the founder and company on board with the incoming investor, can also provide the capital needed, or serve as a bridge while the longer-term ownership transition is completed.

At the company level in Situation B, transition worth considering, the buyout at a point in time is a possible endpoint of the transition conversation, not its starting point. If the exploration of transition in Situation B produces a clear picture of who should own this company and how, a point-in-time buyout may be the right way to execute it, particularly if the incoming ownership entity is ready and the financing is available. The risk in Situation B is executing a buyout before the transition design is actually complete, closing a transaction because the pressure of the investor's timeline requires it rather than because the conditions for a good transition are in place. A point-in-time buyout in Situation B that is rushed by deadline pressure tends to produce worse outcomes than a repay-over-time structure that creates space for the transition to be properly designed.

At the company level in Situation C, investor needs liquidity, company continues, the buyout at a point in time operates purely at the investor level. There is no transition to finance at the company level. The company is continuing as is, and the company-level consideration is the same as in the repay-over-time category: the transaction should leave the company's stability,

governance, and mission orientation intact. A buyout that brings in a new investor whose values are not aligned, simply because they were available and willing at the price, is not a clean exit, but a deferred problem.

In Situation D, company needs liquidity, the buyout at a point in time is occasionally the cleanest path: a new investor buys out the existing investor's position entirely as a condition of providing fresh capital. This clears the cap table complexity in one step and gives the new capital provider a clean structure to work with.

> **The honest tensions:** the primary tension is the price. A buyout at a point in time requires agreement on a valuation, and the valuation of a mission-driven enterprise is contested territory. A price that is fair to the 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 the investor to accept a below-market return. This tension is real and does not always resolve neatly. The investor's willingness to accept a concessional price, or to structure the financing in a way that makes the acquisition affordable, is often the determining factor in whether a mission-aligned buyout is possible. A second tension arises when both the investor and the founder are exiting together, and it comes down to how each side's actual contribution is weighed against the other. The investor's contribution is usually legible: capital deployed, and sometimes governance support, network access, or other non-financial help alongside it. The founder's contribution is harder to price: years of unpaid or underpaid effort, personal risk, relationships built on their own credibility, and the sheer time and energy of building something from nothing. A valuation exercise that only prices what shows up on a cap table will systematically undervalue the founder's side of that ledger. There is no clean formula for weighing money against years of labour and risk, but naming both forms of contribution explicitly, rather than letting the investor's capital anchor the conversation by default, is part of arriving at a buyout price that both parties can stand behind.
>
> A third tension is timing. The conditions for a clean point-in-time buyout, an identified buyer, available financing, agreed governance structures, and a company in good financial health, rarely all align at the moment the funder's investment life or portfolio expectations require an exit. Building toward those conditions deliberately, over the holding period, is the work that makes a good buyout possible when the moment comes.

Give Away or Write Off

This is the method category that the impact investing field talks about least and practices more than it admits. It deserves to be talked about clearly, not as a last resort or an admission of failure, but as a deliberate strategic tool with a specific and important use case.

This case is especially clear for impact-first investors, whose priority was never conventional return maximisation but the environmental or social outcome the investment was designed to achieve in the first place. For this group, a write-off or donation that secures a mission-aligned transition is not a consolation prize dressed up as success. It is success in its own right, on the terms the investor set for themselves at the outset, even when the financial return is minimal or

nothing at all. Naming that clearly matters, because impact-first investors sometimes still judge these outcomes, consciously or not, against a conventional return benchmark that was never actually their own goal.

The core logic is this: if the investor's ownership stake is the key enabler of the company completing a mission-aligned transition, donating the stake, accepting a nominal price, agreeing to an impact buyback, or writing it off entirely may be the single most impactful thing the investor can do with that capital.

This is distinct from an impact buyback, where the 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 kind of transaction. The investor releases the company from an obligation, in exchange for nothing financial or in exchange for a formal commitment to a mission-aligned future that the write-off makes possible.

The analogy worth drawing explicitly is debt relief. Global investors such as multilateral institutions, bilateral donors, and commercial creditors have written off sovereign debt for countries in exchange for commitments to redirect freed resources toward education, health, or environmental protection. The logic is straightforward: the debt obligation was consuming resources that would do more good deployed elsewhere, and releasing it in exchange for a public benefit commitment was a better outcome than continuing to service a debt unlikely to be fully repaid. The same logic applies at the company level. An investor whose ownership stake is preventing a company from transitioning to employee or community ownership, or from living on to continue its mission and impact, because the buyout cost is beyond the company's reach and no external financing is available, may find that writing off or donating that stake, in exchange for a formal commitment to the transition and its associated mission protections, is the most meaningful deployment of that capital they could make.

The instruments in this category include full or partial donation of shares, where the investor donates their equity position, or a portion of it, to a foundation, a community organisation, a public benefit entity, or a charitable trust, sometimes structured so the donation is directly linked to the achievement of predefined impact targets. In many jurisdictions, this generates a tax benefit that partially compensates for the forgone financial return, and more importantly, it can open up ownership structures that would otherwise be financially impossible.

A nominal or concessional transfer, where the investor transfers their position at a price significantly below its technical value to employees, a community organisation, or a foundation, makes a particular ownership structure financially accessible. The intention is what distinguishes this from a simple below-market transaction: the investor is accepting the lower price specifically because it enables a mission-aligned ownership configuration that a market-price transaction would not.

A write-off, where the investor acknowledges that the financial return will not materialise, removes the position from the portfolio at zero value, and releases the company from any remaining financial obligations, is a transaction with real impact logic when combined with a formal mission commitment from the company, whether that's a governance structure, a legal protection, or a set of obligations to employees or community. It is not simply a bookkeeping event.

In Situation A, active transition, this is where the give away or write off category is most powerful. A transition that is designed and ready but financially blocked, because the incoming owners cannot raise the purchase price and no external financing is available, can be made possible by the investor releasing their stake. The write-off or donation does not just provide liquidity. It removes the financial obstacle that was preventing the transition from completing. At the company level, the effect is transformative: the new ownership structure takes effect without the company needing to service an acquisition debt, freeing its cash flow for operations and mission from day one.

In Situation B, transition worth considering, the give away or write off category can be a catalyst for the transition conversation itself. An investor who signals genuine willingness to write off or donate their position, under the right conditions and in exchange for the right governance and mission commitments, changes the nature of the conversation with the founder and the potential incoming owners. What was previously impossible because of the financing requirement becomes possible, and a transition nobody had started planning because the numbers didn't work becomes worth exploring seriously.

In Situation C, investor needs liquidity, company continues, the give away or write off category is less common, since the typical Situation C scenario involves a healthy company that could, in principle, support a repayment structure. But it is not impossible. An investor whose position has not generated returns, who has concluded that the capital was always more catalytic than investment-like, and who wants to release the company from an ongoing obligation while ensuring the mission is formalised and protected in exchange, may find that a write-off in Situation C is the cleanest and most honest exit available. It closes the financial relationship clearly, frees the company from the overhead of managing an investor obligation, and can be structured as an exchange for formal mission commitments that leave the company stronger than before.

In Situation D, company needs liquidity, this is, in practice, one of the more common outcomes, not because the investor wants to release the position but because it may be the only way to make new capital economically viable for the company. An investor whose position is carrying preferences or terms from an earlier round that make a new financing round unworkable may find that converting to common, subordinating, or writing off part of the position is the price of the company getting the capital it needs to survive or grow.

> **The honest tensions:** the primary tension is fiduciary or tax-related. Many investors are legally obligated to seek returns for their LPs, and donating or writing off a position is in direct tension with that obligation unless the investment vehicle was structured to permit it. The resolution is structural and must happen at investment vehicle design, not at exit.
> A second tension is stigma. A write-off is sometimes perceived as investment failure rather than impact design. Investors who use this category with integrity are the ones who have built enough credibility and LP trust to name what they are doing clearly, as a considered choice in service of the mission the investment was always for.

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 both the investor's liquidity needs and the company's transition design.

The combination category is not a residual option for when nothing else works, but the natural expression of exit design that takes the why, the what, and the who seriously, because complex situations with multiple parties and multiple goals rarely resolve through a single instrument.

In Situation A, active transition, combinations are the norm rather than the exception. 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. Or a secondary sale of part of the investor's position to a mission-aligned co-investor, providing interim liquidity, might be combined with a write-off of the remainder in exchange for the company establishing a perpetual purpose trust. In each case, the combination serves a design goal that no single instrument could achieve alone: the investor exits, the transition completes, the mission is protected, and the financing is structured around what the company can actually support.

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, giving the founder time to think, the potential new owners time to build readiness, and the investor time to understand what is actually possible, might be combined with a defined option to convert the repayment structure into a seller-financed buyout if and when 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. That waiting period does not have to be impact-neutral. If what the company owes can be reduced as it makes real progress against its mission during the holding period, the structure starts rewarding the company for moving the mission forward, not just for being patient with the investor's timeline.

In Situation C, investor needs liquidity, company continues, 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 by the founder, using company capital, might be combined with a revenue-based repayment of the remainder over time, allowing the investor to exit in stages without placing the full financial burden on the company at once. Or a secondary sale of part of the position to a mission-aligned buyer might be combined with a donation of the remainder to a foundation that will hold it as a protective golden shareholder, exiting the investor while simultaneously strengthening the company's mission protection in a way that pure Situation C logic might not have prompted.

In Situation D, company needs liquidity, combinations are common because the negotiation usually involves several moving pieces at once: a partial write-down or conversion of the existing position, a subordinated repayment of what remains, and new terms for the incoming capital provider, all negotiated together as a single package because none of the pieces works in isolation. Designing these combinations requires the same discipline as in A and B. Even when the outcome is constrained, the parts should fit together in service of a clear, honest answer to who benefits, who decides, and who protects the mission, not just to whichever terms get the deal closed fastest.

What combinations require: legal and structuring expertise, alignment across all parties over a potentially multi-year process, and clear design coherence, with the parts fitting together in service of a clear answer to the three questions from Part 3. A combination that produces a complicated non-answer to who benefits, who decides, and who protects the mission is not sophisticated design. It needs to be simplified.

> **The honest tensions:** complexity versus resilience. A simpler exit is easier to execute and less vulnerable to the things that can go wrong over time. A more sophisticated combination may be exactly right, but it requires more from all parties over a longer period. The test is always whether the combination serves the design questions more effectively than any single instrument would. If it does, the complexity is worth it. If it doesn't, simplify.

A closing note on method and the design questions: the four method categories are not equally suited to every situation. Repayment or buyback over time works best in all four situations but looks different in each: financing the transition in A and B, protecting company continuity in C, and buying room for new capital in D. Buyout at a point in time works best when the incoming ownership entity is ready and the financing is in place, primarily A, and B when the transition has matured. Give away or write off is most powerful in A and B as a transition enabler, available in C as a clean release, and common in D as the price of making new capital viable. Combination works across all four but is most natural where multiple parties and multiple goals are in play simultaneously.

What all four categories share is this: they are tools in service of the design questions, not the design questions themselves. The method should follow from the answers to who benefits, who decides, and who protects the mission, chosen because it enables the configuration you want rather than because it is familiar or because the lawyers already know how to draft it. The exit you design is the one you thought about. The exit you default into is the one you didn't.

CLOSING: WHOSE EXIT IS THIS, REALLY?

At some point in every exit process, there is a moment when the answer to that question becomes clear. Sometimes it is the moment a founder realises that the buyer being proposed will dismantle what they spent a decade building. Sometimes it is the moment an employee learns that the company they gave their best years to has been sold without anyone asking what they wanted. Sometimes it is the moment an investor looks at the transaction they are about to close and recognises that it serves the investment vehicle's narrative more than it serves the mission.

The exit belongs to all of them: to the communities the enterprise serves and to the purpose the investment was originally for. The investor is one voice in that story, an important one with real structural power, but not the only one, and not the one whose interests should automatically organise the process.

This playbook has asked you to do something the conventional exit process does not: start from the company's situation rather than your own, name your role honestly rather than assume it, and ask who benefits and who decides and who protects the mission before you ask how you get your money back. That sequence is not natural. It runs against the grain of how investment timelines work, how LP conversations happen, and how lawyers are briefed, and it requires a deliberate choice to slow down at the moment when everything in the process is pushing you to speed up.

Situation D is the clearest test of that discipline, because it is the situation where slowing down feels least available. When the company needs capital now, the temptation is to treat the design questions as a luxury and just close the deal on the table. This playbook's position is that the questions matter more, not less, under that pressure, not because they will always change the

outcome, but because naming the trade-off honestly is different from letting it happen by default.

That choice is worth making. Not because it always produces a better financial return, since it often doesn't, and not because it is easy, since it rarely is. But because the exit is the moment when everything the investment was for either gets embedded in the company's future or disappears unnoticed. The impact built over years of patient capital, board engagement, and founder support does not automatically survive the transaction. It survives because someone designed for it to survive, and that someone can be you.

The best exits we have seen, the ones that show up in this playbook as case studies or that practitioners talk about years later as examples of what is possible, were not accidental. They were designed by investors who asked the right questions early enough to act on the answers, who were honest with their founders and their LPs about what they were trying to do, and who were willing to accept outcomes that were harder to explain in a quarterly report but easier to stand behind over the long term.

> *You already invested. You chose this company, this founder, this mission. The exit is the last act of that choice, and it deserves the same intentionality you brought to the first one.*