Impact Exits: The Investors' Perspective

A framework for investors to exit with purpose

Every investment ends somewhere. Your capital helped steward a company with a mission that matters, and now you're evaluating how to exit so that mission continues. This framework offers a way to navigate the exit process that preserves and potentially enhances impact for stakeholders. The playbook is built around four sequential questions, guiding your investment exit with creative options beyond industry standards.

1. Why exit now?
2. What is your role in the exit?
3. Who benefits, decides, and protects the mission at exit?
4. How does the exit actually happen?

01 WHY? The company's next chapter

First question to ask is **WHY** you are considering an exit? What or who is prompting this conversation? We've broken it down into four common scenarios. It is possible that more than one of these will be true or that the scenario will shift throughout the exit journey. Rather than regarding them as fixed, they should be seen as a way to evaluate the strongest push / pull factors around an exit.

SITUATION A	SITUATION B	SITUATION C	SITUATION D
Active transition underway Founder already in motion: succession discussions, employee buyout talks, steward structure being designed, community organisation expressing interest.	**Transition worth exploring** No plan yet, but signals are present: founder aging, loyal employee base with no equity, deep community embeddedness.	**Investor needs liquidity** Healthy company, committed founder, no transition on the horizon. Investment or fund life ending or LP obligation requires liquidity.	**Company needs liquidity** A company needs new capital (working capital, growth financing, refinancing, or a balance sheet reset) and the existing investor's willingness to convert, subordinate, or step back unlocks the path forward.

02 WHAT? The investor's role

Next question is **WHAT** is your role in this transition? Each role comes with different levers and responsibilities. Similar to the WHY, these roles are not fixed and may change or merge throughout the process. As an impact investor, the ideal role to play is the one that best supports the company to enhance or preserve impact throughout the exit process.

ROLE 01

Financing Partner

Your exit mechanism is the capital that funds the company's next chapter. The way you recover your investment is the same mechanism through which the company moves into new ownership.

Ex. A redeemable share purchase where an employee pool buys you out over time.

ROLE 02

Catalyst for a Conversation

You raise the transition question before it becomes urgent with the founder, the board, or co-investors. You open a door rather than walk the founder through it.

Ex. You start the conversation early and start exploring options together.

ROLE 03

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 allow your shares to be repurchased through a loan the company takes out from a bank.

This toolkit was designed by IFI members over a 10 month Impact Exits mission. For more details on the Innovative Finance Initiative please visit **Innovative.Finance**.

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

Next you need to ask **WHO** benefits, decides and protects? These questions apply in every situation. They just land differently depending on the company's next chapter.

	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 *Tension: Founder's fair return vs. employees who built the company without equity. Investor return requirements vs. keeping capital in the mission.*	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)
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, 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. *Tension: Governance that is distributed is not the same as governance that is accountable. Readiness of incoming stewards matters as much as the structure itself.*	Who holds governance power after the investor leaves: board, steward council, employees, community; and through what mechanism is that power actually 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
WHO PROTECTS 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 *Tension: Durability vs. flexibility. Legal structures are hard to change even when the world changes. Jurisdiction: available structures vary significantly by country.*	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

04 HOW? The method

Lastly, you ask the question **HOW** do you execute this transition? The exit method is the how to the why and what and who, and it should follow from the answers to the questions above, not precede them.

METHOD	BEST SUITED TO	KEY TENSION
01 Repay / Buyback Over Time	Cash-generative companies. Aligned founders. Longer time horizons. When the investor's exit can fund the transition.	*Variable timeline vs. investor pressure for faster returns. Repayment obligation must not distort company behaviour.*
02 Buyout at a Point in Time	Clear liquidity event. Incoming ownership entity is ready and financing is in place.	*Price: fair to investor may be unaffordable for incoming owners. Readiness of incoming entity is as important as the structure.*
03 Give Away / Write Off	When the investor's stake is the primary obstacle to completing a mission-aligned transition.	*Fiduciary obligation: many funds are not structured to permit this. Tax implications also need to be considered.*
04 Combination	Complex situations with multiple parties and goals. When no single instrument achieves the design.	*Complexity vs. resilience. A combination must produce a clear answer to the WHO questions. If it doesn't, simplify.*

→ **Read the full playbook at impactexits.co**

→ **Want to learn more? Join an Innovative Finance Initiative Impact Exits course at academy.innovative.finance**

The Innovative Finance Initiative (IFI) is a five-year, built-to-end initiative that weaves together the people reimagining how capital works, giving them the tools, connections, and rooms to shift the financial system we have and build one designed for people and the planet.. This playbook was developed by IFI members.