



Key Insights About Non-Control Transactions and Governance Matters

One way for family-owned and founder-led companies to raise capital—even during uncertain economic times—is by partnering with minority-preferred investors in non-control transactions.

Recently, there has been a significant increase in the number and diversity of funds that can provide non-control growth equity capital, including venture capital, private equity, global mutual funds, sovereign wealth funds, and large family offices.

Minority investors come with governance conditions on a wide range of the business’s operating, legal, and financial elements. And a company’s flexibility when it comes to governance requirements might lead to more attractive valuations from investors.

Illustrative Impact on a Company’s Valuation

Select Structural Provisions of Minority-Preferred Securities

Liquidation Preference	Provide investor downside protection	High Impact
Accruing Dividend	Standard in minority recaps, but should go away upon achieving target exit valuations	
Forced Redemption	A time-based “put” provision forces the company to pursue an exit typically 5 years from investment	
Protective Provisions	Offer customary drag-along, preemptive, mandatory conversion and other provisions	
Board Seats*	5- to 7-member board with current shareholders maintaining majority seats	
Governance Provisions*	Investor will expect approval on material acquisitions, debt, capital expenditures, executive compensation, and other matters	Low Impact

A Premier Advisor for Nearly Nine Decades

Since 1935, William Blair has guided owners of closely held businesses and their trusted advisors through monumental decisions. Our relationship-driven approach empowers owners to maximize the value of their businesses—and turn that capital into an enduring legacy. We invite you to contact us to discuss the ways we support and advise business owners and help our clients capitalize on the tremendous opportunities available to them today.

*No impact on valuation.

Matters That May Require Approval of Minority-Preferred Investors

Issuance of Equity Securities	With rights and preferences superior to or equal footing with, or convertible into securities with rights and preferences superior to or equal footing with preferred stock
Amending Governing Documents	Any change to the size of the board or material corporate structural provisions
Transactions With Affiliates	Anything that enters into or amends a related-party transaction
Distributions	Of property or cash by the company other than upon the occurrence of a liquidation event
Annual Budget	Setting the company's annual operating budget
Capital Expenditures	In excess of a certain amount in the company's business plan or budget (as agreed to by the investor)
Debt	Incurring any interest-bearing financial obligations of the company
Acquisitions	Any business combination with another business, facility, or operation
Sale of the Company	Any liquidation of all or substantially all assets or equity of the company or its subsidiaries
Merger, Consolidation (or Other)	Where a majority interest of the company's equity ownership or voting power is acquired by any person or affiliated group
Change in the Business Operations	Any material changes to the primary revenue sources, operations, or entrance into new business segments
Bankruptcy Filing	Taking action that results in liquidating or dissolving the company's business and affairs
Independent Auditor Selection	Any change in advisory relationships or material changes in accounting policies and procedures
Litigation	Initiating, terminating, settling, disposing, or otherwise taking material action with respect to litigation or regulatory issues

As family-owned and founder-led companies navigate the growth equity ecosystem, it is critical for them to work with a committed advisor who can help find the best partners, valuations, and terms, allowing them to maintain control and preserve their legacy and grow their business.

Please feel free to contact us to learn more about working with minority-preferred investors:

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