



## 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

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

### 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

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

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