

CAPITAL STRATEGY

# Taking Capital Without *Losing* the Company.

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Growth capital and control are not opposites. Whether you keep one, both, or neither comes down to the structure you choose and the terms you negotiate, long before the wire hits your account.

## THE FALSE CHOICE

## Capital and control are not the *same trade*.

Most founders learn to think of outside capital and ownership control as a single dial: raise more, keep less. That instinct comes from an honest place. Venture rounds and full buyouts really do work that way, and they are the two structures founders hear about most. But growth capital is not a single dial. It is a family of structures, and the amount of control you give up is a function of which structure you choose and which terms you negotiate inside it, not a fixed price for the dollars themselves.

Growth equity investors, the category built specifically for companies past product-market fit and already generating real revenue, typically take what the market calls a "significant minority stake." Founders and management teams typically remain in control of day-to-day operations.<sup>[1]</sup> That is a structural default, not a courtesy, and it is the reason growth equity exists as its own category distinct from a leveraged buyout, where majority or full control is the point of the transaction.

*"A 30 percent stake is usually worth less than 30 percent of the company's full control value. The discount is the price of not having the final word."*

Understanding that discount, and why it exists, is the first step to negotiating around it instead of assuming it applies uniformly to every dollar you raise. The founders who come out of a capital raise with both money and autonomy intact are rarely the ones who negotiated the hardest on price. They are the ones who understood, before the first call with an investor, exactly which structure they were entering and which levers inside that structure actually determine who runs the company the day after the wire lands.

## MINORITY VS. MAJORITY

## The structure decides the *outcome*.

The market has grown a real appetite for minority structures specifically because they solve a problem majority buyouts do not: founders who want growth capital or partial liquidity without handing over the keys. In 2023 alone, roughly 1,400 growth transactions closed across more than 3,000 active investors, according to PitchBook data cited by Capstone Partners.<sup>[2]</sup> That is not a niche corner of the capital markets. It is a well-developed, well-capitalized alternative to the two structures founders default to first.

| MINORITY GROWTH EQUITY VS. MAJORITY BUYOUT |                                   |                         |
|--------------------------------------------|-----------------------------------|-------------------------|
| Dimension                                  | Minority Growth Equity            | Majority Buyout         |
| Ownership acquired                         | Typically under 50%               | 50% or more, often 100% |
| Day-to-day control                         | Founder / management              | Sponsor                 |
| Board composition                          | Founder-influenced, negotiated    | Sponsor-controlled      |
| Typical proceeds use                       | Growth capital, partial liquidity | Full exit, succession   |
| Founder's next decision                    | Stays theirs to make              | Belongs to new owner    |

Minority investors typically negotiate board representation, consent rights over major decisions, information rights, tag-along rights, and anti-dilution provisions.<sup>[2]</sup> None of that is control in the operating sense. It is protection in the financial sense, and the distinction is exactly what founders need to hold onto when a term sheet starts using the word "rights" forty times in a row.

#### WHAT YOU'RE ACTUALLY NEGOTIATING

## The fine print is where control *actually lives*.

Ownership percentage gets all the attention in a negotiation, but it is rarely where control is won or lost. Control lives in the protective provisions section of the term sheet, the list of decisions that require investor consent regardless of how small their ownership stake is. A well-negotiated minority deal and a poorly-negotiated one can carry the identical ownership split and produce completely different amounts of founder autonomy.

| WHAT MINORITY INVESTORS TYPICALLY ASK FOR |                                                        |
|-------------------------------------------|--------------------------------------------------------|
| Provision                                 | What It Covers                                         |
| Board seat or observer rights             | A seat at the table, not a majority of votes           |
| Consent on new equity issuance            | Protects their stake from being diluted away           |
| Consent on M&A or major asset sales       | A voice in any exit, not a veto on operations          |
| Pre-emptive / anti-dilution rights        | Right to participate in future rounds pro rata         |
| Information rights                        | Audited annuals, quarterly financials, regular updates |
| Tag-along and drag-along rights           | Exit protections that travel with any future sale      |

A commonly cited market practice sets the preferred-shareholder consent threshold for the most sensitive matters at just under two-thirds, with negotiation typically pushing that number lower rather than higher.<sup>[5]</sup> The provisions worth resisting hardest are the ones that reach into operations rather than capital structure: consent rights over hiring, firing, or compensation for the CEO and founders have no place in a minority financial investment, and a founder who lets that language into a term sheet has given up more than equity.<sup>[5]</sup>

- **Scope every consent right to fundamental matters**

Amendments to the charter, new share classes, and related-party transactions are fair game. Day-to-day operating decisions are not.<sup>[6]</sup>

- **Keep board math on your side**

A board seat is standard. A board majority for an investor holding a minority stake is not, and it is the single most consequential line item to negotiate.

- **Separate financial protection from operating control**

Information rights, anti-dilution, and exit protections guard the investor's capital. None of them should extend into who runs the company.

## THE MARKET IS PROVING THIS OUT

## Minority capital just had its *biggest year*.

This is not a theoretical distinction. The minority investing market has grown substantially precisely because it delivers on the promise of capital without full loss of control. When one prominent European growth investor launched its dedicated minority-investing fund, minority deals represented roughly 5 percent of private equity deal value in its market. Minority transactions have since climbed to 18 percent of total deal value, the largest share on record.<sup>[3]</sup>

*"Minority investing has grown from roughly 5 percent to 18 percent of private equity deal value, the largest share on record. Founders are not settling for this structure. They are choosing it."*

The outcomes back up the trend. That same investor has backed more than 20 minority transactions and successfully exited half of them.<sup>[3]</sup> Portfolio companies under minority structures have doubled headcount, expanded from roughly 150 locations to 300 domestically plus international expansion, and grown revenue more than 50 percent over four years, all while the founding teams retained operating control throughout the growth period.<sup>[3]</sup> None of that growth required a founder to hand over the wheel first.

The broader exit environment reinforces why this matters. Exit value across the private capital markets reached \$413.2 billion in 2024, and acquisitions dramatically outpace IPOs as the path to liquidity: 151 startups were acquired in the first quarter of 2024 alone, compared with roughly 150 IPOs projected for the entire year.<sup>[1]</sup> A founder who takes minority growth capital and keeps building is not opting out of that eventual exit. They are simply choosing to reach it on their own timeline, at a stage of the business they helped build rather than one an outside owner directed.

## WHAT THIS MEANS FOR YOU

## The check size isn't the *decision*.

Founders who get this right treat every capital conversation as two separate negotiations happening at once: how much money comes in, and how much operating latitude stays with the people running the business. Conflating the two, treating a bigger check as automatically meaning less say, is the single most common and most avoidable mistake founders make when they first sit across from a growth investor.

- **Know which category you're actually in**

A minority growth round and a majority buyout are structurally different transactions with different defaults. Confirm which one is on the table before you negotiate anything else.

- **Negotiate the protective provisions, not just the price**

Valuation gets the headline. The consent-rights list decides what your Mondays actually look like for the life of the investment.

- **Choose a partner, not just a price**

Investors who have run minority structures before know where the lines belong. Investors new to the format tend to over-ask, not out of bad faith, but out of habit from majority deals.

None of this means every dollar of outside capital is safe, or that every minority investor behaves the way the category's defaults suggest. It means the terms are negotiable long before you sign, and that the founders who treat structure as seriously as valuation are the ones who look back on the raise as a decision that served the company, not one the company had to absorb.

We spend a lot of time with founders on exactly this question, well before a term sheet is on the table. The right structure lets you take capital and keep building the company you set out to build. No deck required to start that conversation.

## SOURCES

## References

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# Ready to talk through structure?

If you are weighing growth capital against control, the terms matter more than the headline valuation. We would welcome the conversation, before you are inside a term sheet.

[For Entrepreneurs →](#)