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# Days of private equity firms demanding a majority stake in a business are largely over

By: **George Cole & Hal Greenberg** | 12:01am

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Business owners often find traditional banking products don't fit the bill when they need financing or additional capital. Because of the unique needs of small businesses, bank loans often don't work due to the lack of capital available to lend, high monthly amortization payments or onerous terms.

If you're seeking funds to accelerate growth, acquire competitors, buy out partners or just for liquidity, private equity could be a compelling alternative.

A growing number of small businesses are turning to private equity for capital, and more and more private equity firms are offering access to that crucial capital while allowing owners to retain a majority stake in their businesses.

The days of private equity firms demanding a majority stake are largely over. Most firms offer a variety of options to a business owner, from a full buyout to taking just a small stake in the company.

Here are some scenarios where a minority investment from a private equity firm can be a great fit:

- **Growth.** We love working with a business that needs additional capital to keep growing. Private equity can provide growth capital that can pay for everything a growing business needs, including acquisition of competitors, entrance into new markets, new product development and many other tools to supercharge growth.
- **Gaining liquidity.** You can sell a portion of your company without giving up control in a private equity transaction. With many private equity firms vying to invest, there is likely one matched to your needs.
- **Buying out partners.** A private equity investment can provide liquidity to business partners that want or need it while allowing others to maintain or even increase their stake. As a neutral third party, a private equity investor can set a value that is acceptable to both selling shareholders and those who are rolling over.

A minority investment from a good private equity firm is about much more than cash. Private equity firms have resources and expertise that can really transform a company. Like many firms, Riverside helps its partners expand internationally, optimize operations, improve pricing, boost sales, source acquisitions more effectively and make dozens of other improvements to a business.

If you're considering selling a stake in your business to private equity, be sure to shop around to find the best partner. Ask current and former executives from portfolio companies about how they operate. Dig in to their reputation and track record, and make sure they can offer more than just money as you work together to grow. Consider how their experience can add value to your business.



## George Cole & Hal Greenberg

Managing partners and co-fund managers, The Riverside Strategic Capital Fund; The Riverside Co.

### Contact

**The Riverside Co.**

Growing a business is challenging even in the best of times, but a partnership with private equity can greatly assist in adding value. Selling a minority stake in your company delivers not only much needed capital for acquisitions or liquidity but also a partner with tools and expertise to help drive growth. That's something no bank or lender can offer. ●

*George Cole and Hal Greenberg are managing partners and co-fund managers of the Riverside Strategic Capital Fund. The Riverside Co. is a global private equity firm serving the smaller end of the middle market. [www.riversidecompany.com](http://www.riversidecompany.com)*



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