80 INVESTMENTS IN PRIVATE CAPITAL- EQUITY AND DEBT

1. With respect to venture capital, the term "mezzanine-stage financing" is used to describe the financing:
   (A) that supports product development and market research.
   (B) to initiate commercial manufacturing.
   (C) to prepare for an initial public offering.

2. Which of the following types of private debt has the lowest level of risk?
   A) Mezzanine debt.
   B) Untrenched debt.
   C) Venture debt.

3. The formative stage of venture capital investing when capital is furnished for market research and product development is best characterized as the:
   (A) angel investing stage.
   (B) seed stage.
   (C) early stage.

4. Kettering Incorporated is a successful manufacturer of technology hardware. Kettering is seeking capital to finance additional growth that will position the company for an initial public offering. This stage of financing is most accurately described as:
   (A) mezzanine-stage financing.
   (B) angel investing.
   (C) early-stage financing.

5. The vintage year is the year in which a private equity fund:
   (A) makes its first investment.
   (B) receives its first capital commitment.
   (C) sells its first investment

6. Supplying capital to companies that are just moving into operation, but do not as yet have a product or service available to sell, is a description that best relates to which of the following stages of venture capital investing?
   (A) Mezzanine stage.
   (B) Angel investing stage.
   (C) Early stage.

7. Superstars Venture Capital Fund has a favourable performance record compared to other venture capital funds. This most likely suggests Superstars began investing its capital in a:
   (A) high valuation market.
   (B) business cycle expansion.
   (C) business cycle contraction.

8. At what stage in its lifecycle is a company most likely to have distressed debt?
   (A) Mature.
   (B) Growth.
   (C) Start-up.

9. A private equity firm that provides equity capital to a publicly traded company to finance the company's restructuring, but does not take the company private, is best described as engaging in:
   (A) private investment in public equity.
   (B) mezzanine-stage financing.
   (C) angel investing.

10. Relatively infrequent valuations of private equity portfolio company's most likely cause:
   (A) average fund returns to be biased upward.
   (B) standard deviations of fund return to be biased upward.
   (C) correlations of fund return with equity returns to be biased downward.

11. What type of private debt is least likely to have warrants?
   (A) Direct lending.
   (B) Mezzanine debt.
   (C) Venture debt.

12. To exit an investment in a portfolio company through a trade sale, a private equity firm sells:
    (A) the portfolio company to one of the portfolio company's competitors.
    (B) shares of a portfolio company to the public.
    (C) the portfolio company to another private equity firm.

13. Compared to traditional bonds, private debt provides:
    (A) higher returns.
    (B) higher liquidity.
    (C) lower risk.

14. The stage at which venture capital financing is used to fund market research and product development is best characterized as the:
    (A) seed stage.
    (B) early stage.
    (C) angel investing stage.