

## 9.03 Investments in Private Capital - Equity and Debt

### Question 1

The stage at which a venture capital (VC) fund provides funding to a company immediately prior to the company's initial public offering (IPO) *most likely* occurs at the:

- A. later stage.
- B. formative stage.
- C. mezzanine stage.

### Question 2

Which of the following *best describes* an attractive feature of unitranche private debt?

- A. Simplifies debt issuance for the borrower
- B. Conversion rights allow investors to convert into equity
- C. Investors get a blended range of risk exposures in a single investment

### Question 3

A company targeted for a private equity leveraged buyout (LBO) is *most likely* to be a:

- A. public company with a depressed stock price.
- B. private company with significant intangible assets.
- C. private company that is efficiently managed and operated.

### Question 4

Which of the following *best describes* a characteristic of private equity? Private equity funds:

- A. are typically passively managed.
- B. can invest in public or private companies.
- C. are more liquid than traditional investments.

### Question 5

Which of the following *best describes* a characteristic of an attractive leveraged buyout target company?

- A. Cyclical profitability profile
- B. Unencumbered physical assets
- C. High level of operating efficiency

### Question 6

Due to its position within a company's capital structure and its convertibility into common equity, which of the following types of debt is *most commonly* associated with leveraged buyouts?

- A. Mezzanine
- B. Payment in kind
- C. Contingent convertible

### Question 7

If venture capitalists are investing in a company by providing funds to initiate commercial production, which of the following *best describes* the company's financing stage?

- A. Early
- B. Seed
- C. Angel

**Question 8**

A feature of mezzanine debt is that it *most likely*:

- A. offers conversion rights to investors.
- B. is used for funding early-stage companies.
- C. offers more stable returns than direct lending.

**Question 9**

Which of the following hedge fund strategies is *best described* as zero-beta?

- A. Merger arbitrage
- B. Convertible arbitrage
- C. Distressed/restructuring

**Question 10**

A small private equity fund is looking to exit a large investment at the highest potential valuation while generating positive publicity. Which of the following exit strategies is *most appropriate* for the fund?

- A. Trade sale
- B. Recapitalization
- C. Initial public offering

**Question 11**

Which of the following *best describes* a private equity recapitalization? A private equity firm:

- A. sells a portfolio company to a strategic industry buyer.
- B. provides mezzanine financing to facilitate a leveraged buyout.
- C. pays itself a cash dividend by increasing leverage in a portfolio company.

**Question 12**

After a successful turnaround, a private equity fund is structuring a transaction to exit from a portfolio company. After learning the proposal's details, company management and the employees are strongly opposed. Based only on this information, which exit strategy is *most likely* being planned?

- A. Trade sale
- B. Secondary sale
- C. Initial public offering (IPO)