



FORMS OF INVESTMENT

- Mezzanine Financing – mix of debt equity financing used to finance expansion of companies
- Lender usually looking at return of 25-30%
- Advantageous because usually treated like equity, and makes it easier to attract senior financing



INSTRUMENTS

- *Debenture*: unsecured debt backed by integrity of Borrower. No specific collateral
- *Debenture with warranty*: To provide higher return because of risk profile
- *Convertible Debenture*: Leaves option to take stock instead of repayment of debt
- *Equity*



IMPACT TO VENTURE

- *Strong reporting capabilities*
 - (i) Financial
 - (ii) Marketing/sales
 - (iii) Competitive landscape

- *Board set up/governance*

- *Alignment of growth strategy*
 - Organic
 - Acquisition

- *Timing of exit strategy/process*
 - Proactive
 - Reactive



PERCEIVED BENEFITS FROM CORPORATE VENTURE CAPITAL INVESTMENTS FOR VENTURES (ADOPTED FROM MCNALLY 1997)

Benefit from corporate venture capital investment	Number of mentions	
Help with short-term problems	19	83%
Access to management expertise	16	70%
Credibility	16	70%
Access to technical expertise	11	48%
Access to marketing/distribution networks	9	39%
Opportunity to establish further business relationships	8	35%
Access to more sophisticated financial control systems	1	4%
Access to corporate office space	1	4%
Access to possible exit routes	1	4%
Synergy	1	4%
Enhanced attractiveness to other investors	1	4%
Stability	1	4%
Access to operational expertise	1	4%
Strengthening of vertical relationships	1	4%

Source: Survey by McNally (1997:196). Total number of interviewed direct corporate venture capital backed by firms was 23.