

## >: The first three questions I ask before I invest in a private company

*Friday, February 22, 2008 / Helmut*

1. Do I trust the promoter, why or why not?

Without trust, there can be no deal with me. No amount of legal mumbo-jumbo can protect you if the promoter is out to shaft you.

Even if the promoter can be trusted to be honest, hard-working and reliable, how will she cope when the sh\*t is over her head? With enough pressure, even the most honest person can succumb to dishonesty.

Therefore, your reasons for trust have to be strong and convincing.

2. How well does the promoter know the stuff that's at the root of the business?

Obviously, being a new business, there are things that will be learned 'on the run'. But at the core there has to be a solid background of knowledge and experience for my comfort.

Sure, that would have stopped me from supporting a 16-year old Bill Gates. So be it.

3. How well do I know the stuff that's at the root?

If I don't know anything about it, it's easy to see only the upside that is presented but not the downside that is hidden.

If I don't know enough, I may do some research on the downside, but I would be out of my comfort zone.

Of course, these questions deal with start-up situations. However, they also apply when the business is already established.

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