

>: The First Three Questions to Ask before Investing in a Private Company

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There are many considerations to be taken into account when dealing with private placements such as is the offering actually a legitimate enterprise or a scam. However, once some due diligence is exercised and one has reached the decision process, the main three questions to ask oneself are as follows:

1. If an IPO, what is the degree of risk that the company won't actually go public and one will be left with an illiquid investment? And closely related, is there a competent management team to guide it into the public sphere?
2. Does the operation possess a sufficient funding base to overcome the growing pains stage and become profitable before incurring a wipe out due negative cash flow?
3. Finally, does the product or service being offered reasonably create a demand in the market and fit into a promising niche without undue competition, and all this within a favorable stock market climate?

Once these questions can be answered in the affirmative, one is then left to examine one's own psychology and bank account as to what's appropriate for any given individual.

(markscheel)