

>: The Worst Business Idea Ever Hatched

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The Tycoon Report wouldn't be called "The #1 investing newsletter in America today" if it wasn't for readers like Ethan Roberts and John Micheline.

Ethan's article last week, titled "A One-Two Punch That is Frightening," was one of the most thought-provoking articles on individual accountability in the mortgage industry I've seen in sometime.

John's article, titled "China: Be Cautious Where You Invest!" challenges the conventional wisdom many investors have as to the stability of China. If you invest in China, or are considering doing so, make sure you read this in-depth look at the inherent conflict between China's existing political structure and rapidly changing economic system.

Reading those two articles reminded me of the collective brainpower of our readers (Yes, this means you.) That got me thinking about enlisting your help in a little problem I've been working on.

Let me explain.

Most of us, at one time or another, have been asked to invest in a private company.

Perhaps your stockbroker called you one day to tell you about an exciting deal his firm is working on and to rush you to a "private placement memorandum" before it's too late. Before you know it, you're sitting at your desk wading through five pounds of paperwork and trying to make sense of all the legalese - not to mention the actual business itself.

Maybe you have a friend who's asked you to invest in the new restaurant she's starting. Perhaps you think she's a brilliant person who is just destined to succeed. Or perhaps you think she's an awful businessperson, but you don't know how to say "No" because you're afraid it will ruin your friendship.

Either way, investing in private companies can be a dangerous and risky proposition. Not only do you have to protect yourself against investing in bad businesses, but you have to be on the lookout for fraud. That doesn't even include the friendships that have been lost due to an obligation you may have felt to invest in a company run by a friend.

How do you determine what private companies in which you should or should not invest? How do you tell your friend that you're not making an investment in their company because you don't agree with the idea from a business perspective? And if you do like the investment opportunity, how do you negotiate the best deal for yourself in exchange for the money you're investing?

I've long debated writing a series on the topic of private investing for Tycoon Report readers. My goal is to share my knowledge with you in the hope that maybe, just maybe, I could help you avoid a financial disaster, save a friendship, or even make a killing.

Now remember, I can't help you with the legal aspect of making an investment decision. For that you need a lawyer. What I can do is tell you with utmost confidence that chances are very good I can help you create such a thorough analysis that you'll probably say "NO" to most investments you're presented with before you ever even see a lawyer.

However, for me to help you I need you to help me first. You see, my goal is to write something for you that you can put to use in the real world immediately, not some useless mumbo-jumbo. To do that, I need to know what kinds of situations you've been facing so I can address them each week in my articles.

Here's how I see this going happening:

1. Each week, starting today, I'll ask you a different question about investing in a private company.
2. You answer the question by submitting the answer directly in the "Member Articles" section of our website.
3. I'll review each of your submissions personally, and write about the most common themes so I can provide the most help to the most people.
4. The most popular article you post (as determined by amount of comments) will also be featured in the Tycoon Report as our guest editor for Friday alongside my article.

Got that? O.k. great. To start, we'll use this weeks question to help us determine the difference between a good idea, a bad idea and an awful idea:



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