

>: **THREE QUESTIONS TO ASK BEFORE INVESTING IN A PRIVATE COMPANY**

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The three questions I would ask before I invested in a private company are:

1)How are you going to make money? What's the competitive advantage? A great product or idea is terrific, but who is going to buy it, how much does it cost to produce, and can you make money after you pay all the SG&A plus marketing costs.

2)How are you going to grow your business? Is there enough free cash flow to run and grow the operation? How long before the product is a success? Once the initial product run is a success, is there the possibility for growth in the marketplace, which will continue to drive up the value of the investment? And do you have the sales force and distribution capacity to grow it properly? Also having a diverse customer base so that the business is not too dependent on one customer for revenues (or one supplier for that matter).

3)Who is running your business? Are they capable of growing it past the initial product run? Can they continually review how they are doing things and improve? Can they meet and adapt to changes in the market quickly? It takes an unusual group of people to make a new business work.

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