

## >: **Three Questions to ask when deciding to invest in a private company**

*Friday, February 22, 2008 / Gary*

The first 3 questions I ask when deciding to invest in a private company are:

1. What is the exit strategy and is the timeline realistic? I steer clear of any deal that promises to return all principal or even pay dividends in the first year or two.
2. Is the company trying to raise enough money to give themselves the best chance (from a capital and time perspective) to succeed? When I've lost everything, it's generally because the company short-changed itself and ran out of money (read time) before they could hit their first credibility-enhancing milestone.
3. What is the quality and relevance of management's and the board's experience in the activities needed for the company to survive? Here, I look for board members who bring an expertise to the company, not just money. I never invest if the top three management personnel don't all have prior experience in succeeding in a start-up.

Gary