

Title:

Creatiing Liquidity for Private Company Shares

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Summary:

Just imagine if investors had a vehicle for buying and selling shares in private companies-a type of entrepreneurial exchange. Currently, alternative investors face two obstacles in realizing their earnings: time and exposure.

Keywords:

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Article Body:

Q: In your last column, you discussed Entrex and its creation of a private investment marketplace with public market standards and disciplines. As an investor in several private companies in my community, can I sell my shares and cash out my gains?

- Keith Harris, Chicago.

A: Just imagine if investors had a vehicle for buying and selling shares in private companies-a type of entrepreneurial exchange. Currently, alternative investors face two obstacles in realizing their earnings: time and exposure.

Time is a factor because most accredited investors buy restricted stock under Rule 144. The good news is that this stock may be freely traded after two years of ownership. But it's up to the company to remove this restriction. Assuming this is accomplished, it then becomes a question of exposure.

Think back to when you purchased the stock. You were probably exposed to the company through some type of relationship or publicity which provided the credibility you needed to decide to invest.

It's the same process when you're ready to sell - the company's credibility must be effectively communicated to alternative investors. On the plus side, trillions of dollars are earmarked by alternative investors. The problem? It's up to you to find them.

Investors should know that company leadership drives the process toward wider

exposure. It requires providing information to the financial community and cultivating an atmosphere of transparency. Private company leaders need to make alternative investors understand who and what they're investing in - and why now is the time to buy.

The alternative market is ready and waiting to invest. When private companies follow established reporting standards, your shares will be seen, valued and increasingly liquid.