



THE MOTLEY FOOL®

To Educate, Amuse & Enrich

Fool's School

Hiring a Good Contractor



If you're in the market for a contractor to repair or spiff up your home, be thorough in your search. If you look in the Yellow Pages for a contractor, you might regret it (though you could get lucky, of course). Good contractors generally don't need to advertise — their services tend to be in great demand, and they're often overextended. A better way to go about it is to ask around and collect recommendations. Keep an eye out for neighbors having work done, or houses you pass by that are getting impressive facelifts.

Once you find some contenders, here are a few more tips:

- Check them out. See whether they have any marks against them with the Better Business Bureau and your state contractor board, and check your local courthouse, too, to see whether they've been involved in any lawsuits.

- Check their references and go look at some jobs they've done. Get some older references, too, so you can see how well their work held up over time.

- Check their licenses and insurance, too. Make sure nothing has expired. The www.contractors-license.org Web site can help you.

- Get several estimates for your job, and ask that they be detailed and itemized, including materials, so that you can compare apples to apples. You shouldn't necessarily go with the lowest bid, but the range of prices you get will help you decide.

- Get your contract in writing, and keep records of everything, in case something goes wrong.

Contractors doing any of the following may want to rip you off, so be careful: soliciting business door-to-door, demanding only cash payments, offering unusually long guarantees, requiring payment in full at the outset, pressuring you to decide on the spot, offering to help you borrow money.

Learn much more about dealing with contractors at www.ftc.gov/bcp/online/pubs/services/homeimpv.shtm and at www.fool.com/homecenter, which also features tips on buying or refinancing a home. ■

My Dumbest Investment

Bad Options



After reading up on options, I dove in. I got lucky with my first small investments and was soon feeling like an expert. So I took a \$5,000 cash advance on my credit card to invest in options with high implied volatility. I didn't realize high implied volatility meant very risky. I focused on a biotech company that was supposedly on the verge of approval for a staph infection antibiotic. It seemed to be a sure bet. With my borrowed money, I broke even in the first month. In the second month, I made about \$1,000. My plan was to double my money in four months. In the third month, I learned that the staph drug didn't get FDA approval — the stock plunged. I owed the broker about \$1,000 and Citibank credit cards \$5,000. Meanwhile, I tried riskier plays in other accounts and lost all my gains and then some.

— N.E., Seattle

The Fool Responds: Options are tricky, and certain varieties can be especially risky. Remember that you can do well without ever using them. ■



Do you have an embarrassing lesson learned the hard way? Boil it down to 100 words (or less) and send it to *The Motley Fool* c/o *My Dumbest Investment*. Got one that worked? Submit to *My Smartest Investment*. If we print yours, you'll win a Fool's cap!

Last week's trivia answer

Based in Chicago, I came to life in 1984 with the introduction of the Mutual Fund Sourcebook, offering fund-performance data. My goal then and now is the democratization of investment information. I provide objective information to individual investors, professionals, institutions and the media. I offer data on more than 260,000 investment offerings worldwide, such as stocks, mutual funds, variable annuities, closed-end funds, exchange-traded funds, hedge funds and 529 college savings plans. My innovations include the investment style box and star ratings for mutual funds. I serve more than 5.2 million individual investors. Who am I? ■

(Answer: Morningstar)



Write to Us! Send questions for *Ask the Fool*, *Dumbest (or Smartest) Investments* (up to 100 words), and your *Trivia* entries to Fool@fool.com or via regular mail c/o this newspaper, attn: *The Motley Fool*. Sorry, we can't provide individual financial advice.

What Is This Thing Called The Motley Fool?

Remember Shakespeare?
Remember "As You Like It"?

In Elizabethan days, Fools were the only people who could get away with telling the truth to the King or Queen.

The Motley Fool tells the truth about investing, and hopes you'll laugh all the way to the bank.

Ask the Fool

The Basics of IPOs

Q When a company issues shares of itself in an initial public offering (IPO), how do the original owners of the company retain any ownership?

— B.P., Portland, Maine

A When a company "goes public" with an IPO, it usually sells only part of itself. Here's a simplified example of how Scuffy's Chicken Shack (ticker: BUKBUK) might go public. Scuffy decides to sell 10 percent of his company to the public, via an IPO, in order to raise money for expansion. He currently owns all of the 90 million shares of the company and will sell 10 million new shares, so there will be 100 million shares after the offering. Investment bankers help Scuffy determine the valuation of the company and decide to price the offering at \$20 per share, suggesting that the whole company is worth about \$2 billion (100 million times \$20). This means his company will collect about \$200 million when the shares are sold (less the investment bank's fee of around 7 percent). Scuffy will retain ownership of 90 percent of the firm, or 90 million shares.

Q Where can I learn about IPOs that are coming up?

— L.F., Modesto, Calif.

A Consider steering clear, instead, as IPOs are notoriously volatile and frequently don't fare too well in their first year. Also, it's typically the rich or well-connected who get shares at their low initial price. Others end up buying later, often after prices have risen.

If you're curious, though, head to www.marketwatch.com/tools/ipo for a schedule of firms making their public debut. And for more on IPOs and why you might avoid them, head to www.fool.com and type "IPO" in our search box up top.

Got a question for the Fool? Send it in — see *Write to Us*. ■

Name That Company

My founder launched me as a baby furniture store in Washington, D.C., in 1948. He soon realized that customers were also looking for toys. Today I'm a leading toy and baby product retailer, with more than 1,500 stores worldwide. My baby-focused specialty chain is the largest in the world. I was a publicly traded company from 1978 to 2005, when I was bought out by private investors for \$6.6 billion. This fall I opened a tem-



porary store in Manhattan to serve holiday shoppers there. I'm based in New Jersey, and my mascot is the world's tallest mammal. Who am I?

Know the answer? Send it to us with *Foolish Trivia* on the top and you'll be entered into a drawing for a nifty prize! ■

The Motley Fool Take

Trimming Alcoa

Alcoa (NYSE: AA) ended 2007 by trimming a host of ancillary operations. It appears to be reaching a fighting trim that could thrust it back into the merger wars — on one side or the other.

Alcoa recently sold its packaging and consumer businesses, as well as its automotive castings business. On the acquisition front, it failed to buy its Canadian aluminum manufacturer rival, Alcan, which took a bigger offer from London-based mining giant Rio Tinto (NYSE: RTP).

With the rapid industrialization of China, India and other developing nations, the metals and mining sector has been growing

quickly in importance to those countries, while becoming a hotbed of takeover activity. In addition to the Alcan purchase, copper producers Freeport McMoRan (NYSE: FCX) and Phelps Dodge joined forces earlier this year, and Rio Tinto itself is currently the subject of a slow-moving acquisition effort by Australian mining and energy giant BHP Billiton (NYSE: BHP).

The company's trimming of non-core assets and the application of resulting funds toward core areas could render it more attractive, whether as the hunter or the prey. On that basis alone, to say nothing of its nearly 2 percent dividend yield and its key position in a significant metals market, consider finding a spot for it on your watch list. ■

BUSINESS BRIEFS

Preferred Community Bank opens Lehigh office

Preferred Community Bank opened a new office in Lehigh Acres, announced Brenda O'Neil, chairman and CEO of the bank.

"We're extremely pleased to be back in the Lehigh Acres Community," O'Neil said. "Patty Vealey, branch manager, and her staff have lived in and provided banking services to Lehigh Acres for many years and are dedicated to providing excellent service to our customers."

The new branch bank is located at 3020 Lee Boulevard, Suite 8 in the new Town Plaza. Vealey and the bank staff can be reached at 303-9544. ■

Economist offers outlook for 2008

Mark Vintner, senior economist for Wachovia Bank, will visit Fort Myers to offer insight on national and regional economic trends. The presentation will take place at the Real Estate Investment Society luncheon meeting on Tuesday, Feb. 12.

Vintner is a nationally respected analyst of market trends and federal economic policy. His presentation to REIS is expected to focus on real estate lending practices, capital markets, the housing industry, and the implications for Southwest Florida. He counsels the bank, its clientele, and investment organizations throughout the country on economic matters and financial strategy. Following the presentation, Vintner will

address questions of specific interest to the real estate investment and development industry.

The meeting is sponsored by Wachovia Bank, and will begin promptly at 11:45 a.m. on Feb. 12 in the Magnolia Room at Pelican Preserve's Town Center, on Colonial Bou-

levard, one mile east of I-75 exit 136 in Fort Myers. Admission is \$25.00 for members and \$35.00 for guests, which includes lunch. Reservations are required by Feb. 7 and may be made by calling Sharon Heston, (239) 410-1253, or visiting the REIS web site: www.reis-swfl.org ■

Airport taxi provider earns national award

MBA Airport Transportation, the company that provides taxi operations at Southwest Florida International Airport, was recently named "Operator of the Year" by the Airport Ground Transportation Association. The award was given in recognition of MBA's commitment to improving the quality of airport taxi service with an emphasis on customer care and attention to maintaining professional operations.

"It takes teamwork to develop and main-

tain a ground transportation system that works to provide travelers at Southwest Florida International Airport with quality service," said Robert M. Ball, executive director of the Lee County Port Authority. "This award recognizes our taxi providers' efforts, and showcases its success after our first full year of operations."

MBA Airport Transportation is a joint venture company formed by three companies — Majestic, Bluebird and Apple. ■