

The Faelon Business Update is sent out quarterly. It contains selling tips and traps, news about the firm and the industry, and may list some businesses Faelon currently represents. If there is a topic you are particularly interested in, please let us know and we'll cover it.

Fall 2006

I hope you all had an enjoyable summer. As we move into fall, I have a few observations about the current climate of the M&A market.

First, it continues to be the best selling conditions in at the last 30 years. Investment capital is abundant; the capital gains tax rate is the lowest it's been since 1933, among other positives. It's a good time to sell a business.

Second, I'm seeing more baby boomers seriously consider exiting their businesses. If you're one of them, how long are you going to continue working?

Finally, if you're still a few years away from exiting, today is the time to begin preparing. Well prepared sellers often get higher prices for their businesses and are able to minimize tax ramifications. A good way to start is by reading my book *Exit Strategy*.

Faelon has recently purchased a commercial office building. We will be moving into it after the first of the year. We're planning a series of open houses next year. Look for your invitation in the spring.

Sincerely,
Thomas W. Lyons
President

BUSINESS OPPORTUNITIES

BABY BOOMERS ARE CHANGING DEFINITION OF RETIREMENT

As if the Baby Boomers haven't changed American culture enough already. Now, on the eve of their retirement years, they're poised for one last social transformation: Retirement.

Indications in the middle market segment unmistakably show that as Boomers sell their businesses and opt for retirement, they're applying the same mindset to retirement that they used to change the culture in the 1960's.

On the front lines of the transition from work to retirement I see Boomers already changing retirement. They're more active, healthier and wealthier than any previous generation. In addition, they're not hesitant whatsoever to demand more from retirement than most people ever considered possible.

Boomers are staying active, traveling, have more money and will likely live longer than any other generation in history. With those kinds of characteristics laying the bedrock of Boomer retirement, they need to need to start planning for the eventual sale of their business. Now is the time. Don't wait.

With 2006 and 2007 having the best M&A conditions of the past 70 years, Boomers are seeking advice on exiting their businesses.

While market conditions can't get any better than they are now, there is uncertainty in how long this window will be open. Are you ready?

Call Faelon for a free and confidential consultation, 952-591-1998 extn. 1.

TIPS-N-TRAPS

Selling a business as a stock sale or asset sale is a critical decision for the owner and buyer alike; it may even be a point of negotiation.

Today, sellers can protect themselves from liabilities associated with their businesses *after* the sale using various insurance products. For example: tail insurance, warranties and representations insurance, and funded escrow agreements.

Such products and agreements are helpful devices that cause buyers to consider a stock purchase that may be more advantageous to the seller from a tax standpoint.

Visit with your attorney and CPA for more information on how this topic may affect the taxable nature of the sale of your business.

NEWZONE

Faelon Seminars

If you or someone you know is interested in having Faelon and its speakers bureau of professionals conduct a seminar about maximizing the value of a business for sale and minimizing the tax ramifications, contact the firm at 952-591-1998 extn. 1.

Faelon In The News

Faelon served as the "expert opinion" for a July 10, StarTribune business article.

CLOSING COMMENTS

Faelon facilitated the successful capitalization of a local company through private funding.

A recent seller said of working with Faelon: "Faelon covered all the details. They researched and dissected the material from attorneys and CPAs, and then helped me ask the right questions so that I fully understood the ramifications of finances, taxes, capital gains, retirement, estate planning and more. Faelon constantly made me aware of the whole picture. For example, the building was an important part of the deal because after 45 years of ownership, it had a lot of value. Without it, the sale of the business may not have happened. Faelon was key, right down to the terms of leases supporting the transaction. Faelon quarterbacked the deal, and recommended solutions to problems before we sat down at the negotiating table. Faelon's strength was that they understood my perspective and looked out for my family's best interests and acted according to my wishes. There is no better way to sell a business than with their expert assistance."