



## BUSINESS UPDATE

*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.*

### Winter 2006

### BUSINESS OPPORTUNITIES

#### 2006: BEST YEAR IN **THREE DECADES TO SELL!**

If you've been considering exiting your business, 2006 will be the pinnacle of opportunity. Here's why:

- Interest rates are low
- Historic amounts of investment capital are available
- Commercial real estate values have been on the rise
- Capital gains tax rates are the lowest they've been since 1933, and are likely to increase following the 2006 (mid-term) elections

These are key external factors that can have significant influence on the sale of a business. As you can see, these factors are presently in favor of the seller, but may not be for long.

Perhaps the biggest issue is the capital gains tax rate. At 15 percent it is at the lowest rate in 73 years! To compare, in the past 30 years it has fluctuated between 20 percent and 40 percent. Mid-term elections historically bode poorly for the party in power. Changes in the makeup of Congress may result in a rise in tax rates as our elected officials attempt to rein in rising Federal deficits.

If this happens, selling your business in 2007 or later may cost you more money.

If you've been contemplating selling your business, this year may provide you with the best opportunity to do so. A trusted and experienced business broker can help you take full advantage of current market conditions. **Call Faelon for a free and confidential consultation, 952-591-1998 extn. 1.**

### TIPS-N-TRAPS

When selling a business that is occupying leased space, be sure to obtain a "release" as well as an "assignment" of the lease from the landlord. Failure to obtain a release of all amounts due under the lease could leave you exposed to any unpaid obligations of the successor to the lease. Always be sure to obtain competent legal counsel to prevent unpleasant surprises!

### NEWZONE

#### **Faelon Seminars**

Faelon conducted numerous seminars based on *Exit Strategy*, in 2005.

Faelon was a featured presenter at the exclusive landmark Kitchi Gammi Club in Duluth, Minnesota.

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**

Look for an upcoming article co-authored by Tom Lyons in *MBA News*, the publication of the Minnesota Bankers Association.

#### **Online News**

Due to demand for online purchases of *Exit Strategy*, Faelon is adding e-commerce to its Website. Look for it in coming weeks at [www.faelon.com](http://www.faelon.com).

#### **In The Works**

Faelon has begun work on a second book, a companion to *Exit Strategy*. Book two lays out many important aspects of *buying* a business. It will be available this summer.

On behalf of the firm, I'd like to wish each of you a Happy New Year. It is my hope that you will have a prosperous and profitable 2006.

Speaking of 2006, never in my 30 years of doing deals have I seen the selling landscape so exciting. Interest rates are low; investment capital is abundant; the capital gains tax rate is the lowest it's been since 1933, among other positives.

You hear me talk a lot about preparation, which allows you to control the timing of the sale, maximize the business' value and minimize the tax ramifications. They are still important. However, if you've been pondering exiting your business, I encourage you to act on it in 2006. It may be the most profitable decision you make.

If you decide to sell, or know somebody who is interested in selling, please give me a call. I am looking forward to helping you achieve your financial and business goals and complete a successful sale of your business this year.

Sincerely,  
Thomas W. Lyons  
President