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CAPITAL ADVISORS, LLC

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## Armored Car Industry Report

October, 2007

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Hello,

Taxes and politics - my two least favorite topics to discuss. I bring these to your attention this month because they will impact the value of your business.

We strongly suggest you pay careful attention to the political environment surrounding capital gains tax reform. If you are considering selling your business in the next several years, please give us a call to discuss how this may impact your business.

Sincerely,

Jim McGuire

P.S. Feel free to forward this email to your friends and colleagues. They can subscribe to future issues of this report under the Links section of our website.

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## Important Tax and Political News

From a tax, financial, and economic perspective, now is the time to consider selling your business if you plan on retiring. We are in the fourth year of the lowest capital gains tax rate (15%) in U.S. History. In fact, the capital gains tax rate has not been below 20% in 60 years. An increase in capital gains tax rates can substantially reduce your after tax proceeds from a business sale.



When the Democratic Party regained control of both houses of Congress in November of last year, the red flag on capital gains was raised once again. Congress has the power to increase the rate before its planned expiration. On the horizon is a possible party change in the White House with next years presidential election. If I was a betting man, I'd wager that the rate is going up.

By how much? At a minimum, tax experts predict a revert back to 20%. The worst case scenario, and one that is being proposed by several Democratic Presidential Candidates, is for ordinary income tax to replace the capital gains tax structure. This would have harsh consequences on the sale of your business. As an example, net proceeds from a business sale today of \$5 million would erode to approximately \$4 million under this proposed plan. Same business, same purchase price, different tax plan.

We suggest that business owners thinking of selling in the near future should prepare now to take advantage of what we believe to be the end of a golden opportunity.

If you have any questions or would like to received archived articles on this subject, please email me at [jim.mcguire@shotguncapital.com](mailto:jim.mcguire@shotguncapital.com)

## Do Due Diligence on Your Company Before Someone Else Does

Skeletons in the closet? Better divulge them early. Unlike wine, bad news does not get any better over time. In fact, performing due diligence on your own company before a potential buyer or investor does increases your chances of a successful transaction.



Due diligence is all about gaining confidence in your business. The M&A world is littered with the carcasses of deals killed in action because a surprise was uncovered during due diligence.

Strong business leaders anticipate the records potential acquirors will request. Scrutinize your record keeping practices - you can be certain the ones with the fat checkbooks will.

For more information on record keeping practices, email me at [jim.mcguire@shotguncapital.com](mailto:jim.mcguire@shotguncapital.com)

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