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MID-STATES CAPITAL
A Private Placement and Business Brokerage Firm
Newsletter

Dear Joseph,

We hope all is well and that your new year has started on a positive note!

In this month's newsletter, we formally introduce Richard Colletta, MBA, CMA as the newest member of the Mid-States Capital team. We also cover the current state of the M&A market from the perspective of buyers and sellers of a business. Lastly, we cover the maturing wall of debt that was created during, and prior to, 2008, and its effects on future business financing. If you, a client, or a business associate, are interested in speaking with us more about any of these articles, or would like to discuss future opportunities, please do not hesitate to contact us.

Best Regards,

Mid-States Capital



Current Market Rates

1 Month LIBOR - .27
3 Month LIBOR - .54

6 Month LIBOR - .78
1 Year LIBOR - 1.10

WSJ Prime - 3.25
Federal Discount Rate - .75

(These rates according to www.bankrate.com)



Introducing Richard Colletta

Mid-States Capital welcomes Richard Colletta MBA, CMA to the Mid-States team. Rich has been a CFO in the manufacturing and financial services industries for middle market companies for over twenty years. His time as a CFO has given him the experiences to effectively provide consulting and transactional services to companies and investors.

If a company requires assistance with their systems or profitability, Rich can review their operations and processes. In difficult or transitional situations, he has filled in as the interim CFO providing the leadership, organization, and technical support. He has assisted with the hiring/upgrade of personnel, working capital/cash management, risk management, development of process/restructuring improvements, monthly financial close, financial planning, and ERP system

upgrades and modifications. He can evaluate accounting systems and controls at companies and recommend changes to make them more responsive to the company's needs.

In his career as a CFO and consultant, Rich has developed considerable experience with financings and M&A. He has prepared sophisticated financial models, private placement memorandums, lender materials, investor presentations and due diligence materials. He has assisted in the purchase and sale of companies both in his capacity as a CFO, as well as for the benefit of clients for whom he was engaged as a consultant. In helping companies with their funding needs, Rich has closed senior debt, subordinated debt, public debt, municipal debt, and private and public equity financings.

Rich received a Bachelor's in Business Administration from Duquesne University and an MBA from the University of Michigan. He is a Certified Management Accountant.

If you or someone you know would like to learn more about the services that Rich offers, please do not hesitate to contact any member at the firm at the number listed below.



Buying and Selling in Today's Market

It is always difficult to determine the right time to buy or sell a business. This decision can be especially challenging due to current economic conditions and changing market trends. There are many factors that go into this decision, such as how much your company is worth, or how much you can afford to spend, what venues should be used to search for a potential buyer or seller, and knowing how to value the business.

It is important to know what metrics should be evaluated to assess the value of a business. An understanding of how similar businesses are performing is vital, as buyers and sellers must be able to determine what a fair price would be based upon industry standards. At MSC, we can value your business' worth or we can determine from your financial statements how much you can afford to spend on an acquisition. Additionally, Mid-States possesses the industry knowledge and financial expertise to analyze a target company, and make a recommendation regarding its fit to your current business. Once a fair estimate of worth has been established, we can begin to search for relevant buyers or sellers.

There are many buyers and sellers in the market. It is very important to know how to sort through them to determine those most likely to complete a transaction with your business. If you are a seller, knowing how to properly package your business for sale is crucial. Mid-States has the experience and ability to author comprehensive offering documents to gain buyer or seller interest from relevant markets.

If you would like to meet with MSC to discuss how to prepare for a purchase or sale, please contact us for a free initial meeting.



A Wall of Debt Coming Due

Between 2002 and 2009, large amounts of corporate debt was issued by lenders with long term amortization schedules, but with "balloon" payments required well before the debt was fully amortized. Much of that debt is now, or will be shortly, coming due causing many companies and businesses to attempt to refinance their term loans. Lenders, however, are placing greater restrictions on borrowers due to economic uncertainty and increased regulatory pressure. It is

estimated that in the USA alone, between now and the end of 2015, there is a looming \$3 Trillion problem, and worldwide a \$5 Trillion problem. There is simply a lack of capacity in a financial system already strained by an excess of Sovereign Debt to refinance this bubble of balloons.

Companies must prepare and develop a plan in order to have the best chance at successfully finding new funding arrangements or refinancing their debt. In many cases, unique financing options will have to be explored in order to refinance these loans.

There are important ramifications which result from defaulting on these "balloon" payments. Balance Sheets are impacted by having a significant amount of what was formerly long term debt, now classified as current. Loan covenants are violated, even though there is no essential change in the business. Entire credit facilities and years of relationships are jeopardized. Good companies find themselves threatened with being placed in "workout" departments.

At Mid-States Capital, we are already assisting clients in locating funding to replace their ballooned facilities. We expect to see many more of these situations as more and more of this debt matures and the "balloons" come due. It is important that owners and managers anticipate this problem before they are confronted with the need to refinance in an unforgiving market.

If your business is one of the many that the refinancing wall will affect, or if you are unsure, and would like us to review your current lender agreements to determine the degree of your exposure, please contact us today to discuss your specific situation.



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Sincerely,
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