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

Dear Joseph,

We hope your summer is going well thus far. In this month's newsletter, we address the expiration of the Bush tax cuts, and the future of the M&A market. If you have any questions pertaining to this month's articles, or would like to discuss financing needs of your business, please contact us. We would be happy to speak with you! Don't forget to visit our website to see a full range of our services and connect with us on LinkedIn!

Best Regards,

Mid-States Capital

Current Market Rates

1 Month LIBOR - .24	6 Month LIBOR - .74
3 Month LIBOR - .47	1 Year LIBOR - 1.07

WSJ Prime - 3.25
Federal Discount Rate - .75

(These rates as of June 6, 2012 according to www.bankrate.com)

M&A Outlook 2012

As we move through the summer, we expect to see a continued increase in M&A deal activity. This activity is supported by the constantly aging baby boomer population and higher sales multiples.

As business owners get older, they will continue to look for exits and retirement. When the economic crisis hit in 2008, many owners that may have been ready to retire, decided to hold onto their companies and await the return of improved profitability and higher sales multiples of EBITDA. This caused an overall decrease in buying and selling activity over that time period.

Now that businesses are returning to profitability, sellers and buyers will be eager to create deals. We expect that some business owners will be focused on selling, fearing a reoccurrence of the economic collapse which occurred in 2008. At Mid-States Capital, we are able to assist you in determining the right selling price for your business and to locate qualified buyers so that you have the best chance at a successful exit. Likewise, we are capable of locating qualified acquisition targets for interested buyers. If you are interested in discussing the purchase or sale of a business, please do not hesitate to contact us today.

How to Avoid the Capital Gains Increases Expected before 2013

As business begin to return to their former glory owners should be considering their long-term goals. If retirement or a sale of a company may being considered in the next 1 to 3 years, now is the time to act. The Bush era tax cuts that were renewed in 2010 expire December 31, 2012. So what are the effects?

Capital Gains Income Tax.
The federal income tax rates for long term capital gains are expected to increase from the current level of 15% to what many experts agree may be as much as 25%. This reduces the final takeaway the seller receives.

If a company is not expecting to grow significantly in the immediate future it may be worth while for sellers to divest. Selling multiples are not expected to materially increase in the near future and if business performance is expected to remain consistent, extra value would be achieved through immediate sale.

Medicare Tax.
Effective January 1, a 3.8% Medicare tax will be imposed on "net investment income" of high income tax payers, including the gains from the sale of a business or interests in entities holding a business. However, investors who "materially participate" in a business may be exempt from the new tax.

Taking Money Off the Table without a Sale.
If an owner does not want to sell their business before the end of 2012, the owner should consider taking some money off the table through a leveraged recapitalization. Through a leveraged recap the owner borrows against the assets of the business and then distributes proceeds through a dividend payment. Federal taxes on qualified dividends are expected to increase from 15% up to 39.6%, and be subject to the 3.8% Medicare tax.

These are a few of the benefits to selling or recapitalizing a business before the end of 2012. These processes can be very detail oriented so it is beneficial to all parties to start the process as soon as possible to ensure a 2012 transaction occurs.

If you or one of your clients would like to discuss available options please contact Mid-States today.

Mid-States Team

Joseph P. Alam, Chairman

(313) 215-1700
JPA@MidStatesCapital.com

Richard A. Colletta, Managing Director

(313) 300-6480
RColletta@midstatescapital.com

Joseph P. Alam III, Senior Analyst

(313) 670- 5713
JP3@MidStatesCapital.com

Patrick C. Haffey, Financial Analyst

(248) 444-9213
PCH@MidStatesCapital.com

For more information about Mid-States Capital or our services, please contact Joseph P. Alam at (313) 215-1700 or email JPA@MidStatesCapital.com.

Sincerely,

Mid-States Capital

www.MidStatesCapital.com

JOIN OUR MAILING LIST

MID-STATES CAPITAL LLC
280 Daines Street • Suite 100B • Birmingham, MI 48009
Telephone : (313) 215 - 1700
www.MidStatesCapital.com

Forward email